

## Blueprint for

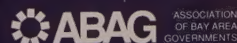
BAY AREA  
HOUSING

Housing Element Ideas and Solutions \*



Blueprint for Bay Area Housing is published by the Local Housing Element Assistance Project (LHEAP), 847 Sansome St., San Francisco, CA 94111. For additional copies of this publication, or for more information, call 415/981-6600.

LHEAP is co-sponsored by the Bay Area Council and the Association of Bay Area Governments.





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**ABAG** ASSOCIATION OF BAY AREA GOVERNMENTS

**BAY AREA COUNCIL**







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employment training. The Council co-  
sponsors the Bay Area Economic Forum.

Dear Housing Advocate:

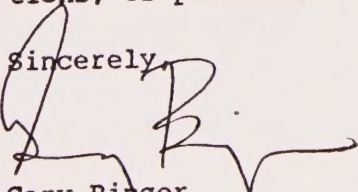
The lack of adequate, accessible, and affordable housing in the Bay Area is a challenge we all face -- both in the public sector as local governments work to improve the quality of life for the region's residents, and in the private sector as employers struggle with the burden that the high cost of housing places on their workforce. And we all share a concern about the impacts of unaffordable housing on those least able to cope with high housing costs. In the coming year, we all have an opportunity to tackle these housing problems head-on, and we would like your help in doing so.

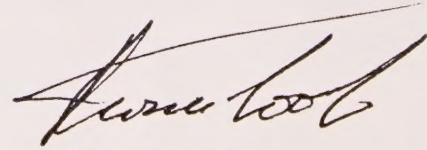
State law requires cities and counties in the Bay Area to revise local housing plans and policies to accommodate their fair share of the region's housing needs. The local revision of the housing element of the general plan must be completed by July 1, 1990. Such a legal obligation will have little meaning in the city and county in which you live or work unless you choose to become involved and make the housing element update an opportunity to start new programs, improve plans, and build popular support for the development of housing in your community. The enclosed "Blueprint for Affordable Housing" can help you turn the housing element update exercise into a planning and political process which will have a tangible product: more affordable, more appropriate, and more accessible housing for your community.

After you are done looking at the handbook, please share it with others who may find it of value. To get involved with the housing element revision in your community, start with a telephone call to your city or county planning department. Ask them about the process for community participation; they are required to have an avenue for you to make suggestions and comments. As well, you may want to contact other current or potential housing advocates and encourage their involvement in the housing element revision. Please feel free to photocopy pages, add other material, and rearrange it to meet your needs. If you've got solutions or suggestions we've overlooked, please call us up; we plan to issue an update in the future.

This handbook is the first product of the Local Housing Element Assistance Project (LHEAP), a joint effort of the Association of Bay Area Governments and the Bay Area Council. In the coming year, LHEAP will be holding a number of workshops, seminars, and meetings to provide further information and ideas for local action to address housing problems. Please feel free to call us with questions, ideas, suggestions, or problems. We want to help.

Sincerely,

  
Gary Binger  
Planning Director  
ABAG

  
Thomas Cook  
Director of Housing and Land Use  
Bay Area Council



# RAYMOND COUNTY

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# Blueprint for

# BAY AREA HOUSING

A handbook for  
revising housing elements  
to increase the supply and  
improve the affordability  
of Bay Area housing

by the Local Housing Element Assistance Project (LHEAP)

## sponsors

Association of Bay Area Governments  
Bay Area Council  
Northern California Association for Non-Profit Housing  
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California Association of Realtors  
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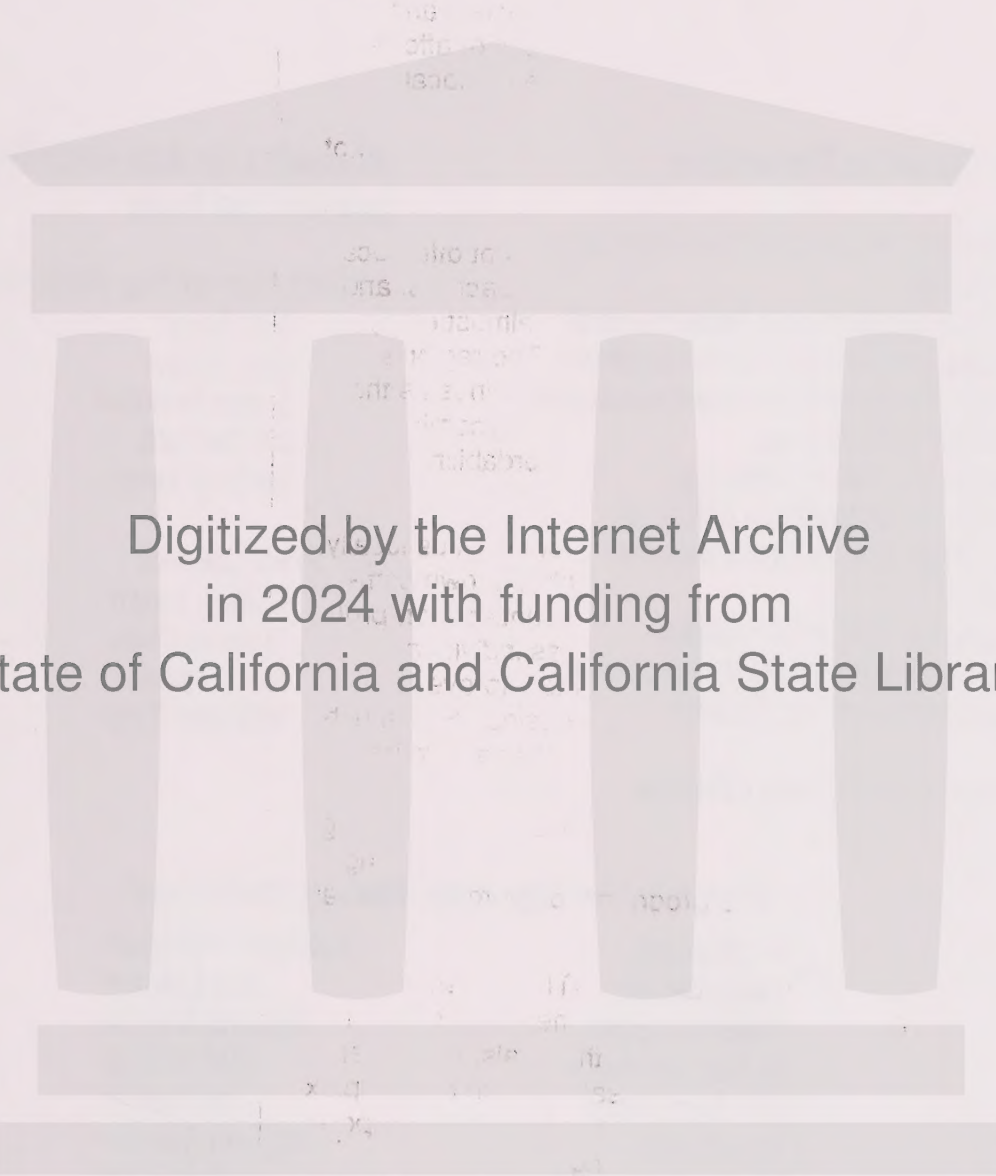
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# Local Housing Element Assistance Project

**T**he Bay Area is in the midst of a housing crisis. Although regional problems, statewide policies, and federal shortcomings all contribute to a lack of affordable, accessible housing, the impacts are felt locally and personally. Local housing problems take on different forms in different communities: young graduates cannot find an apartment in the town they grew up in, high home prices make it impossible for new families to move into established suburbs, newer cities cannot offer local homes for their police officers and schoolteachers, and in extreme cases long-term residents in almost every community find themselves homeless. The region's economy and quality of life for all of us declines as the region loses the diversity, character, and dynamism which depend on the availability and affordability of housing.

But just as housing shortages confront us locally, so too can the solutions be found within our own communities. In recent years, cities and counties, non-profit groups, local businesses, and countless individual citizens have taken impressive steps to improve the local availability and affordability of housing. Still, much more needs to be done: local successes need to be repeated and the initiative taken in more places. Local governments can play an especially vital role in housing efforts by making land use changes, providing funding, and adopting policies and programs to improve the local housing situation.

THE BASIS FOR LOCAL ACTION to solve housing problems is the housing element of a city's or county's general plan. It includes the goals, the understanding, and the strategy necessary to take on complex housing problems. The state has addressed the importance of providing adequate housing in California by setting minimum requirements for housing elements (the state law governing the process is included in the appendix). Although the state reviews every housing element as it is drafted for compliance with state law,



only local jurisdictions have the ability to articulate their own particular issues and successfully meet their housing needs. Involved citizens, committed planners, active housing advocates, and aggressive political leadership are needed more than ever to prepare realistic housing elements with feasible programs.

The LOCAL HOUSING ELEMENT ASSISTANCE PROJECT (LHEAP) is a joint effort of the Association of Bay Area Governments and the Bay Area Council undertaken with the cooperation and support of the:

- Northern California Association for Non-Profit Housing,
- League of Women Voters of the Bay Area,
- William and Flora Hewlett Foundation,
- James Irvine Foundation,
- California Association of Realtors,
- Construction Industry Advancement Fund.

The objectives of LHEAP are to assist those responsible for revising housing elements and initiating local housing and land use programs. This group consists of not only planners and local officials, but also citizens concerned with the availability and affordability of housing, those who are in need of housing, and those who build, develop or otherwise provide housing.

In addition to this handbook, LHEAP--in conjunction with local and regional organizations--is presenting a number of seminars and workshops on housing elements and the local opportunities for the development of affordable housing. Also, LHEAP can assist local governments, community groups, and others in organizing local housing conferences, provide technical information on housing elements, and direct citizens and housing advocates to the resources and organizations where they can contribute to housing element reviews.

**For more information on LHEAP, contact:**

- Joe Sehee, LHEAP Director, 415/981-6600
- Gary Binger, Planning Director, ABAG, 415/464-7900
- Tom Cook, Bay Area Council, 415/981-6600









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# Who Can Use This Handbook?

This handbook is addressed to local citizens and voters, current and potential housing advocates, planners and housing professionals, city and county officials (both elected and appointed), the diverse development community, and anyone else with an interest in the local housing problems of the Bay Area. The handbook suggests ways to initiate and implement pro-housing policies and programs through the housing element of a local general plan.

This handbook covers all the steps for reviewing, preparing, revising, and evaluating a housing element. The highest priorities, the most effective approaches, and the best examples are highlighted. Policy and program suggestions are made throughout. The deficiencies typical in housing elements are identified along with advice for receiving favorable review by the California Department of Housing and Community Development (HCD).

Some of the material may be foreign to those with limited experience in local planning or policy-making. Additional background on housing elements can be found in HCD's publication, "Housing Element Questions and Answers." Though an effort has been made to prune unnecessary technical jargon, some of the language and terms may be unfamiliar.

For those already familiar with the housing element process, innovative approaches and key policy suggestions have been included. The pages are peppered with successful case histories and examples. These may be of use to both old hands and new housing advocates.

The information and examples contained in this handbook are suggestions only. They are not intended to be definitive and they are not a guarantee of success. But the guide does encompass state law, and specific section references from Article 10.6 of the Government Code are cited (see appendix). Most of all, the suggestions do offer a number of ways to solve housing problems at the local level.

# Preparing an Effective Housing Element

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# Reviewing the Old Element

**W**hen charting a new housing future for a community, one should first look back at old objectives, the course of the housing market since current policies were first adopted, and the success or failure of local programs aimed at improving housing affordability and availability. The current housing element is part of a city or county general plan, and a copy can be obtained from the local planning department.

## Here are some questions to consider when reviewing an existing housing element:

- ✓ Are the stated policies and programs effective? Do they provide housing for existing and future residents of all income levels?
- ✓ Does the housing element meet local, regional, and state housing goals? Does it address important housing problems?
- ✓ Is enough housing of all types and costs being built to meet the element's stated objectives, as well as other housing needs?
- ✓ What has happened to existing housing in the community? Is affordable housing disappearing? Are older homes deteriorating?
- ✓ Are the goals and objectives of the housing element still relevant?
- ✓ What's new? Is there more current housing data? Are there new opportunities for housing development or have new constraints been imposed? What increases or decreases have there been in the amount of financial assistance available for housing?



## Case Study

**Oakland** evaluated its past programs in its 1982-3 housing element. In its analysis, the city identified and corrected program design errors and consequently increased the effectiveness of its approaches to particular housing needs. For example, the high level of rehabilitation required in HUD's Substantial Rehabilitation Section 8 program generally compels tenant displacement and was therefore considered an inappropriate approach for rehabilitating occupied housing. The City alleviated this problem by choosing the Moderate Rehabilitation Section 8 program, which provided the desired level of housing rehabilitation.



## ❖ Suggestion

**Collect data regularly to monitor program effectiveness.** To provide criteria for monitoring a jurisdiction's housing progress, data should be kept on the number and type of building permits finalized and the number of housing units and households assisted, along with surveys on market rents and home prices. By keeping relevant data up-to-date and accessible for periodic program reviews, the need for extensive data collection during future housing element revisions would be eliminated.

The evaluation of local housing plans and programs can occur whenever needed and "the housing element shall be revised as appropriate, but not less than every five years to reflect the results of this periodic review" {65588(a)}. For cities in, and the nine counties of, the Bay Area, state law requires a housing element revision by July 1, 1990. Localities need to allow enough time—45 days—for the Department of Housing and Community Development to review the draft of a new housing element before the city council or board of supervisors adopts the final version.

Given the state mandates for review and time of completion, local governments should begin to review and revise their housing elements by the end of 1989. Each locality should adopt and publish a timeline for citizen review, staff work, public hearings, and official approval and adoption.

In addition to a general review of appropriateness and effectiveness, a detailed review of existing and former housing programs must be conducted. Such a review will be extremely useful in designing a future strategy to attack housing problems.

**In devising new housing programs, look first at existing programs. Broaden the successful ones and revamp inadequate ones.**

A program-by-program assessment should compare old objectives with actual performance by determining the number of housing units actually built or preserved, and the number of households assisted. If former quantified goals have not been met, then the new housing element needs to discuss the reasons for the shortcomings of current or former programs. In this way, successful programs can be identified and perhaps expanded, and ineffective programs can be improved or replaced.

# Community Participation

**T**he involvement of citizens and the input of those affected by local policies, housing experts and the public at large will make a housing element both acceptable and effective. The community should participate in all phases of the revision process, and it is important for citizens to become informed and involved early on in the housing element update.

**Those in need of affordable housing, and those who develop it, should be involved in the housing element revision.**

Representative citizen input is vital to the success of local housing efforts. All players in and around the community who may be affected or who are able to contribute to the effort should be involved in the process.

The city or county must "make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the element shall describe this effort" {65583(c)}. This will make the housing element, and subsequent action on it, serious, effective, politically supported, and truly representative of the widest set of housing needs.

Those involved in the update of a housing element should fully articulate the immediate housing needs of a community. The actual desires of the whole range of housing consumers and the special housing needs of distinct groups can then be gauged by those writing the housing element, and these needs can also be clearly and forcefully stated to the whole community.

## Potential Participants

- existing and would-be homeowners,
- low-income families and single people,
- students and other future housing consumers,
- elderly citizens, the disabled and others with special housing needs,
- local workers who cannot live in the community,
- renters and/or apartment managers,
- neighborhood organizations,
- public agencies affecting or affected by housing,
- neighboring jurisdictions,
- social and human service providers,
- local employers and business organizations,
- the development community, including homebuilders, lenders, architects, and realtors,
- non-profit housing groups,
- environmentalists,
- churches and religious entities, and
- civic and community leaders.



## Case Study

**The San Mateo County Housing Task Force** is one example of a citizen's group that has been successful in tackling local housing problems. Co-chaired by a county supervisor and a community representative, the Task Force has representation from housing providers and consumers, as well as from a variety of interest groups. Since 1980, the Task Force has helped provide housing throughout the county by reviewing and commenting on county and city policies, supporting programs aimed at providing affordable housing, conducting an awards program for meritorious housing projects, and hosting seminars. Most importantly, the Task Force has assisted in the development of affordable housing through site identification and other project support. **Contact:** Susan Wilson, Director of Housing and Community Development, San Mateo County, (415) 363-4451.

**Given the importance of the issue, local concern about housing, and the project's timeline, what type of participation will be most effective?**

Many types of participation can be useful. For example, a community can form a special citizen's committee to draft its housing element. If time allows, and care is taken to ensure that the body is both well-informed and broadly representative of the community, such a committee can provide good suggestions and feedback. Later, the group can be a good source of support for the programs and policies adopted.

If there are existing committees or commissions at work in the community, the city may choose to make one of them the lead actor in developing the housing element. If an existing committee is used, however, the city government should ensure that it obtains input from a broad range of citizens, including advocates for affordable housing, the homeless, and builders, as well as traditional neighborhood-based groups.

Either a new or a standing committee may need additional information and advice on local housing issues. Furthermore, committees may choose to take testimony from the community in workshops, special conferences, letters, or other formats.

As well, joint sessions with and between a new or existing citizen's committee, planning commission, and city council or board of supervisors can help focus public attention on local housing issues. Good publicity and extra effort is usually required to make sure that all affected interests attend and participate. Neighborhood presentations and seminars can help solicit public reaction and open an avenue for public education about housing issues.

Finally, communities may choose to open the entire revision process to the community at large, holding town meetings on the element and housing policy in general. Again, communities should promote and publicize such meetings, if held, to ensure attendance by a representative sample of the community.

**Early and ongoing participation by the community is vital.**

To make public hearings on the housing element meaningful and productive, cities and counties should inform community groups early on about the process and content of the housing element revision. Background reports, program reviews, and draft policies should be circulated well ahead of scheduled public hearings. Widely distributed newsletters published by the local government or by interest groups and/or television programs on local stations or community access cable networks should explain the local housing issues and the opportunities to address them. Community groups should make their interests known to local officials.

Once a draft housing element has been written the local planning commission and city council (or board of supervisors) should hold public hearings before sending the draft to the state Department of Housing and Community Development for review. Local groups can submit written testimony to HCD during the 45 days that the state has to comment on the draft housing element. After receiving a letter of review from HCD, the local jurisdiction can make recommended changes and adopt a final housing element. The final version must be submitted to HCD.

After adoption of the housing element, the city or county should maintain a program of public participation to monitor and evaluate the implementation progress. This can be done through periodic workshops on local housing issues and/or the creation of a housing task force or commission.

**❖ Suggestion**

The drafting of alternative goals, policy statements, and programs by either local staff or involved citizens can help focus debate during the drafting of the housing element. If a record of alternative suggestions is kept, and/or if they are presented during workshops and public hearings, then it will be easier for elected officials to make informed revisions to the housing element prior to adoption.





## Case Study

**City of San Jose.** In November 1987, the City Council appointed 15 members to the Housing Task Force, including five members appointed by the Mayor and one by each Council member. Task Force charges included: 1) assess city's housing needs; 2) reevaluate city's housing policies and programs; and 3) develop a comprehensive housing plan and five-year implementation program. The Task Force received extensive staff support and a consultant developed a thorough Housing Needs Assessment. A report with recommendations for significant policy changes was presented to the Council in August 1988. **Contact:** Tom Cook, City of San Jose, (408) 277-4747.

**LHEAP supports communities with information on housing. A slide presentation on higher density and affordable housing is available to interested groups and communities. Contact Joe Sehee, Project Director, (415) 981-6600.**

## Use the housing element as an organizing opportunity.

Many housing advocates view the housing element revision process as an empty planning exercise, which it will be without proper community participation. Those interested in making housing more affordable, building new housing, and/or addressing the housing needs of certain groups should use the housing element update not only to advocate their point of view, but also to bring together the diverse set of people and organizations interested in housing issues. A coalition of parties could lead to significant local actions to correct many housing problems. The housing element revision can be the first step in creating strong local support for housing.

## Citizen participation can help fight the NIMBY syndrome.

By incorporating citizen participation, communities can help forestall later opposition to politically controversial projects. The "Not In My Back Yard" (NIMBY) syndrome can prevent construction of homeless shelters, stall development of needed multi-family housing, and otherwise prevent communities from providing their fair share of the region's housing needs.

Local governments, working with citizen committees, can prepare presentations for the community to fight negative perceptions about affordable housing. Workshops and seminars, with slide shows of attractive and effective affordable housing projects and testimony from residents in the neighborhoods, should help sway public opinion to favor similar projects in other neighborhoods.

Neighborhood planning is one way to respond to NIMBY by giving local residents more control over their neighborhood while instilling community responsibility for affordable housing. Local residents should be more willing to accept some affordable housing or social service facilities if it is within a context of overall planning for their neighborhood and when city-wide and regional housing objectives become clear. This gives them assurances that only a certain amount of housing will be situated nearby and it allows them to help select which types of housing and designs are compatible with their neighborhood.

# Using Data Effectively

**G**ood policy decisions depend on good data. The housing element must be based on accurate and relevant data if it is to serve as the springboard for effective local housing programs. The issues covered, needs assumed, and goals adopted depend not only on citizen participation but also on meaningful statistical research to inform the public and influence decision-makers.

## **Use several data sources for an accurate and current assessment of local housing needs.**

A variety of housing data is necessary for a complete picture of the community and its housing market. The 1980 Census is the logical and most comprehensive starting point, but additional data from more current sources will lead to a richer understanding of the specific issues. For example, census data may show a low rental vacancy rate, but recent apartment construction may have alleviated pressure on the rental housing market; what do local property management firms or apartment associations have to report about housing availability?

## **Update old data, even if only with a qualitative discussion.**

The most recent data should be used for all analyses. If the only available data is not current, it should be statistically updated using clearly stated assumptions and methodologies. If this is not possible or yields confusing or contradictory estimates, then using current county or regional statistics may be helpful. Additionally, 1980 ratios (for example, the percentage of overcrowded housing units) can be applied to current housing stock measures. In any case, the presentation of updated 1980 census data should be accompanied by a qualitative discussion of historical or re-



## **Case Study**

**Vacaville** maintains a current and complete knowledge of the rental market by surveying apartment owners and managers twice a year and tabulating the number of occupied and vacant multi-family housing with data from the city's building department. Conversions of apartments to condominium use is regulated by the vacancy rate determined by the survey. Additionally, the collected data has helped shape local land use decisions about new apartment construction. **Contact:** Charlie Learned, Housing and Community Development, City of Vacaville, (415) 707-449-5161.

**For a list of suggested data sources, consult the appendix.**



## ❖ Suggestion

The 1990 census data will be released between 1991 and 1993. This will give jurisdictions an opportunity for a mid-course review and correction of their housing element. Communities should plan on using this new, more accurate and current data to update their housing element.

gional trends which have likely had an impact on the housing condition being measured.

Selective local data collection should also be used to update information and gain a more comprehensive view of housing issues. For example, information on housing quality can be updated by surveying the existing housing stock and market rents can be obtained from newspaper advertisements. Beware of comparing different statistical measures of the same parameter. For instance, census-measured contract rents in 1980 were approximately 75% of advertised rents at that time.

## **Take a critical view of housing data and projections.**

Because the type, amount and availability of data varies with the jurisdiction, local governments and housing advocates must consider their objectives when determining what information to collect and rely on for policy making. Local officials have an obligation to include a wide range of data in the housing element, whether or not it appears relevant or suggests a policy response. Even if the housing topic analyzed is not an immediate concern, it may be so in five or ten years, and the inclusion of appropriate data will enable future review and assist in subsequent housing element revisions.

Citizens, advocates, and local housing professionals should review the data included in the housing element to ensure that it is correct, complete, and addresses the issues of importance. Local governments and advocacy groups can work together to identify the most pressing housing concerns and, if need be, collect the additional data that will identify, quantify, or clarify local housing needs.

Demographic forecasts and other housing projections are available from several sources, with those done by the Association of Bay Area Governments (ABAG) being most readily available. Because ABAG's forecasts take into account local land use and growth policies, their projections of household growth should be carefully considered in the housing element revision process which requires a review of these same local policies. Actual housing need may exceed ABAG's projections (see next section).

# How Much Housing Do We Need?

If the goal of the housing element update is to adopt new programs or reform local policies, then the assessment of a community's need for housing is one of the most critical components of the housing element. The amount and type of housing needed in a city or county varies, depending on its particular demographic, economic, and geographic situation. Only by identifying and measuring local housing needs can the most appropriate programs be designed and resources directed to the most pressing needs. The data collected previously should allow a community to estimate and analyze its unique housing needs to:

- 1) make up for existing shortages;
- 2) accommodate future population and employment growth;
- 3) make housing affordable;
- 4) replace housing which has been, or might be, eliminated;
- 5) correct problems of deterioration; and
- 6) supply homes for those with special housing needs.

## **Housing is needed both locally and regionally.**

In addition to local housing needs, every city and county in the Bay Area has an obligation to address the housing needs of the entire region. Given the expansion of jobs into suburban areas, the two-career household, changing commute patterns, and the interdependent economy and society of the Bay Area, the housing needs of the region are now felt in every Bay Area community. State law recognizes the regional nature of the housing market, and requires every city and county to plan for its fair share of the region's housing need {655883(a)(1)}.

## **State Law**

"... a locality's share of the regional housing needs includes that share of the housing need of persons at all income levels within the area significantly affected by a jurisdiction's general plan. The distribution of regional housing needs shall . . . take into consideration market demand for housing, employment opportunities, the availability of suitable sites and public facilities, commuting patterns, type and tenure of housing need, and the housing needs of farmworkers."

— Government Code Sec. 65584(a)



## Case Study

**San Mateo County** in the revision of its housing element in 1986-87 considered the regional fair share allocations for both the unincorporated portions of the county and the county as a whole, cities included. The housing element discussed, and quantified, the existing and future need for housing for both renters and homeowners overpaying for housing, for the elderly, the disabled, and other special groups, to reduce overcrowding. The housing element also estimated the need for housing to rehabilitate and replace substandard housing. **Contact:** Lisa Welge, San Mateo County Planning and Development Division, (415) 363-4161.

The Association of Bay Area Governments (ABAG), under direction from state law {655884}, has determined each locality's fair share of the region's need for housing, and has divided that need into four income categories of housing affordability. ABAG's allocations are based on an analysis of the vacancy rate in each city and the existing need for housing it implies, the projected growth in the number of households, the local and regional distribution of income, and the need for housing generated by any local job growth. The first two components reflect local conditions and existing land use plans. The last component of need recognizes that alternative zoning may be necessary to meet housing needs. Such an approach was necessitated by a recent interpretation of state law by the Attorney General of California. More details and much useful data can be found in ABAG's "Housing Needs Determinations" which was released in January, 1989.

**Local housing needs may exceed a locality's fair share. ABAG has estimated the minimum regional need for housing, not the maximum amount of housing to be built in a community.**

Common practice has found many cities and counties treating their regional fair-share allocation as an end point, rather than the starting point, for estimating need. ABAG's analysis of need is quite thorough, but it may not be complete for many communities. Local governments should compare ABAG's fair-share numbers with their own calculations to determine the best need estimate. In addition, localities should provide more definition to their need numbers by determining housing needs by type of unit and the residential requirements of special groups or categories.

In the end, determining the housing needs of a city or county requires a combination of data collection, issue analysis, and policy definition, all done with an eye on ABAG's fair-share allocations and state law requirements. It helps to make several different estimates of housing needs, and then compare and contrast the results. The involvement of the public and informed parties in the needs assessment can be critical to the policy direction the housing element will take.

What follows are suggestions for approaches to take, data to use, and state requirements to meet when estimating the various components of housing need.

## **1) Housing is needed to make up for existing shortages.**

Many communities presently lack a sufficient supply of housing. This is reflected in high housing costs, overcrowded conditions, price and gentrification pressures on existing housing, and personal difficulties in finding new housing.

VACANCY RATES are the most straightforward indicator of existing housing need. The difference between current and optimal vacancy rates is a good measure of existing need. A five percent rental vacancy rate is considered necessary to permit ordinary rental mobility. In a housing market with a lower rental vacancy rate tenants will have difficulty locating appropriate units and strong market pressure will inflate rents. A two percent vacancy rate for owned housing is considered normal.

Determining current vacancy rates, however, can be difficult. Nonetheless, existing housing needs, especially for particular types of housing, can be defined with vacancy rate estimates.

OVERCROWDED HOUSING is an indication of an unmet need for housing from families unable to afford adequately sized accommodations. The census defines and counts overcrowded housing as any residence with more than one person per room, excluding bathrooms. Unless more current data is available, the housing element should apply the 1980 ratio to a measure of the existing housing stock. Frequently, overcrowding may indicate special housing needs of large families or deficiencies of the housing stock in one particular neighborhood. State law {655883(a)(2)} requires an analysis of overcrowding.

## **2) Housing is needed to meet future demands created by population and employment growth.**

HOUSEHOLD FORMATION. In most Bay Area communities the greatest need for housing will probably be generated by the steady increase in the number of households which occurs as children become adults, as families form or dissolve, and as people move into the area. A projection of household growth is the most basic component of any housing needs analysis.

## **❖ Suggestion**

**Unmet housing need** can be used as an alternative or additional estimate of the existing need for housing, and it can easily be determined when calculating a city or county's past progress in meeting their fair share allocations of the 1980-1990 time period. Housing needs not yet met, especially housing needed by very low- and low-income households, can be used as a measure of the existing housing need.





## Case Study

**Walnut Creek** estimated the housing implications of future employment growth as part of its recent housing element review. By calculating the amount of commercial and retail growth expected over the duration of the general plan and using common assumptions about the number of employees per square foot, the city was able to estimate future employment growth. Job growth was translated into housing demand by dividing employment by the regional average of 1.34 workers per household. Then three different assumptions about commute behavior were used to estimate the potential housing demand of future employment growth.

5,100 additional workers  
+1.34 workers per household  
3,806 additional households

Residential demand based on percentage of workers living in city:

if 100%, then 3,806 housing units  
if 50%, then 1,903 housing units  
if 30%, then 1,142 housing units

**Contact:** Marge Kimmerer, City of Walnut Creek, (415) 943-5834.

IN-MIGRATION and growth data are part of ABAG's and others' forecasts. The Department of Finance tabulates birth, death, and migration rates which can be used to determine the source of future housing needs.

JOB GROWTH occurring in or near the locality will increase in-migration and the demand for housing. The housing element should consider local and regional job growth and the associated housing needs it will generate. This can be done with employment projections and local land use data on expected job-generating development.

Translating employment growth data into housing needs necessitates making several assumptions about the number of two-career households, i.e., how many workers per household there are, and the propensity of local job holders to seek residence within the community. ABAG's projections can be of help in answering the first of these questions; the answer to the latter one is more difficult.

If someone works in a community, how likely is it that he or she will also want to live there? The answer to this question is a complex relationship of personal preference, type and wage scale of available jobs, commute options, and the relative availability and affordability of housing. The jobs-housing relationship is often discussed, but not well understood. However, many of the factors are clearly influenced by a locality's land use and housing policies.

The JOB GROWTH-HOUSING NEEDS RELATIONSHIP in a community will be affected by local land use and housing decisions, and thus determining the need for housing created by job growth will be as much a policy question as a statistical one. To help shape policy decisions, and because of the complexity of the issue, a range of job-based housing needs determinations should be calculated and the assumptions made clear in the housing element. The total amount of job growth forecasted and the total generated need for housing should be calculated. From there, a discussion of what percentage of that housing demand will be local can then be conducted. Commute data from the 1980 census or more current sources may assist in this determination.

To completely and effectively address the job growth-housing needs relationship, one needs descriptive data on the types of jobs in the area (current and projected), along with the salary range of these jobs. If detailed employment data is not available, even an anecdotal discussion of typical jobs in a community, their salaries, and the amount of housing the holders of these jobs can afford to rent or buy can be easily calculated and quite illuminating.

To be most accurate, attention should be given to projected job growth in surrounding communities, as well as within the locality. The housing impacts of such job growth should be considered in the assessment of a community's housing needs.

### **3) Housing is needed which is affordable to all income levels.**

In addition to an overall need for housing, each city or county has a need for housing which is priced so that households of differing income levels can afford to rent or buy within the community. ABAG has subdivided its total estimate of housing into four different income groups:

Above Moderate:	greater than 120% of Bay Area median income
Moderate:	81% to 120% of Bay Area median income
Low:	51% to 80% of Bay Area median income
Very Low:	50% or less of Bay Area median income

In calculating local housing needs, setting policy objectives, and operating housing programs, further refinement of these income levels is desirable. Communities should use the appropriate county or metropolitan income measures and the income groups should be adjusted for family size. The U.S. Department of Housing and Urban Development (HUD) calculates these figures annually for use in various federal and state programs. Using these definitions enables a jurisdiction to compare its housing needs with the available program resources outlined in the program descriptions of this handbook.

### **❖ Suggestion**

**Cooperate with Neighbors.** It is rare when a community's job growth does not affect neighboring jurisdictions. A jobs-housing analysis will help reveal the inter-relationships between communities. The fact that all Bay Area cities and counties are simultaneously updating their housing elements provides a unique opportunity for communities to plan together to more accurately project the area's housing needs and jointly accommodate them. Such a cooperative effort may lead to greater coordination of local plans and policies.



## ❖ Suggestion

To guide policy-makers, the providers of housing, and the public, the housing element should contain tables which translate the income definitions into current monthly housing costs for rent or mortgage payment. The inclusion of comparable county and/or regional data will help provide perspective.

HOUSING AFFORDABILITY can be determined with income and price data and then used to help determine how many households are in need of housing. State law asks for an "analysis and documentation of household characteristics, including level of payment compared to ability to pay" {65583(a)(2)}. This requires a comparison of resident income levels with the local cost of housing. State law defines a lower-income household that pays more than 25 percent of its income for housing as living in unaffordable housing. The federal government uses a slightly higher figure of 30 percent of household income as the threshold of housing overpayment.

Determining exactly how many renter and owner households overpay for housing must await the completion of the 1990 Census. However, ABAG has calculated the proportions of households in 1980 who paid more than 25 percent of their income for housing. These figures are in ABAG's "Housing Needs Determinations" and 1980 census materials. Localities should apply these ratios to current counts of the number of households. In addition, examples of typical housing costs in the community compared with local income estimates can reveal much about the affordability of housing.

Affordability data can be used to define the total housing need calculated earlier by segmenting that need by income groups. Additionally, an estimate can be made of the specific number of affordable units needed above and beyond other housing needs.

### **4) Housing is needed to replace that which is, or might be, lost to demolition, gentrification, or expiring subsidies.**

The loss of existing affordable housing aggravates the existing shortage of housing and creates a need for replacement housing. Affordable units can be lost from publicly or privately conducted demolition, natural disasters, a lack of adequate market rate housing (thus creating pressures on the existing stock of housing) or the termination of federal, state, or local subsidies or use restrictions.

**DEMOLITION PERMITS** and requests for use changes on existing residential properties can be analyzed to determine the extent to which the existing housing stock is being depleted. Local redevelopment activities and plans might also indicate localized housing losses. In some instances, special surveys may be needed to measure the loss of affordable housing.

**GENTRIFICATION**, the displacement of low-income households by higher income residents, can be difficult to measure without comprehensive, neighborhood level data. However, historical or even city-wide analysis of housing prices and rents along with household characteristics may indicate the loss of existing affordable housing.

**CONDOMINIUM CONVERSIONS** may deplete the number of affordable rental housing units in a jurisdiction, while it creates affordable ownership opportunities for former renters. As single-family homes become increasingly unaffordable, pressure for conversion of existing rental housing to condominium use may increase. The number of past, and potential, condominium conversions should be included and analyzed in the housing element.

The **EXPIRATION OF HOUSING SUBSIDIES** may be the greatest near-term threat to the stock of housing affordable to low-income families and individuals. Rental housing financed 20 years ago with federal low interest mortgages are now, or will soon be, eligible for termination of their subsidy programs, and owners may choose to convert the apartments to market-rate housing. Also, HUD Section 8 rent supplements to specific rental projects may expire in the near future. In addition, state and local subsidies or use restrictions are usually of a limited duration.

Therefore, local governments should determine the potential for the loss of subsidized housing, analyze programs for preserving the housing, and determine the need for housing which would be created by the displacement of tenants. New state law will require the housing element to identify all federal, state, and local subsidized housing in the community, note when the subsidies expire, and determine the cost of replacing that housing.



## Case Study

**San Francisco** annually surveys additions, losses, and changes in its housing inventory. For the last 20 years, the city has issued a report every year which includes neighborhood level data on the total amount and type (structure size and number of bedrooms) of housing built, the number of demolitions, and the conversion of rental housing to ownership condominiums. Recently, the San Francisco Housing and Tenants Council completed a separate study which examined in more detail the legal and illegal demolition and conversion of existing housing. Taken together, the two studies provide the data necessary to inform local policy decisions.

**Contact:** Roger Herrera, San Francisco Department of City Planning, (415) 558-6316.





## Case Study

The **California Housing Partnership Corporation** has issued a thorough list of the federally subsidized housing at risk of conversion to market rate housing. The inventory reports, by county, on privately-owned low-income housing projects and can be used by local planners and housing advocates to identify housing which may lose its federal subsidies and become unaffordable to low-income households. Project names, addresses, owners, number of units, and type of HUD subsidy are listed. The California Housing Partnership Corporation was created by the state legislature to address the conversion issue by providing technical resources to owners, tenants, and communities interested in preserving this supply of affordable housing. **Contact:** Helen Dunlap, Chief Executive Officer, (916) 449-9998.

### 5) Rehabilitated housing is needed to preserve existing housing and improve substandard structures.

Substandard housing in need of repair or rehabilitation and replacement must be documented and analyzed in the housing element {65583(a)(2)}. In determining the condition of the existing housing stock and the need for its preservation and improvement, the 1980 Census information is not sufficient. The Census defined unsound buildings as those without plumbing. Often, though, a deteriorated building may have plumbing, yet still not be structurally sound. Additional data are required not only to update 1980 information but also to give a more complete picture of rehabilitation needs.

The number of substandard units can be estimated from a field survey or sampling, from knowledgeable builders, from nonprofit housing organizations or redevelopment agencies, or from an updated HUD Housing Assistance Plan. An estimate of the maximum number of units needing rehabilitation can also be derived from other census measures such as percentage of units built before 1940. Many housing elements contain an analysis of the age of housing stock by area, although strong gentrification may make such an analysis irrelevant.

Both statistical data and surveys should be used to estimate the need for housing rehabilitation and replacement and the associated need for resident relocation.

## **6) Housing is needed for groups with special or extraordinary requirements.**

In addition to an overall need for housing and a need for affordable housing, cities and counties must plan for the housing needs of special groups. State law {65583(a)(6)} requires that several populations with special needs be identified: homeless, elderly, disabled, large family, female-headed, and farmworker households. Some communities may not have all these needs. Nonetheless, all relevant data documenting any lack of need should be included in the element or its appendices.

Importantly, most communities will have special housing needs that state law does not address. The housing element should take into account any local factors which create an extraordinary need for housing. These needs should be quantified.

HOMELESS HOUSEHOLDS are perhaps the group with the most immediate need for housing, and meeting that need is a significant, complex, and sensitive issue in the Bay Area. The state has shown its concern over the problem by recently amending the housing element law to require that housing elements estimate the need for emergency shelter for the homeless.

Due to the importance of homelessness, this handbook has devoted an entire section to the issue and suggests strategies to address it.

DISABLED HOUSEHOLDS have a particular need for housing which compensates for their handicaps and takes advantage of their unique abilities. Single-level units, the availability of services, group living opportunities, and proximity to transit and other

### **Special Needs: Where to Get Data**

The University of California at San Francisco supports a national Disabilities Statistics Program for the Institute for Health and Aging. The State Department of Social Services may also have data from its in-home supportive services program. County human resources agencies, non-profit developers, and the Department of Rehabilitation can also provide data on disabled housing needs.



### **Special Needs: Where to Get Data**

Census data can be used to determine household size. Local social services departments, community groups, or local Housing Assistance Plans may also have accurate information on the numbers and needs of large households. Income and affordability data should be calculated.

The 1980 census can provide a proportional figure of female headed households. More current estimates of low-income, single-headed households may be found by using county-level data on Aid to Families with Dependent Children (AFDC) recipients.

Numerical estimates of migrant farmworkers are available from the Employment Development Department, local farm bureaus, the Department of Housing and Community Development's Office of Migrant Services, or local school districts.

design and location criteria should be considered when estimating the housing needs of the disabled.

**ELDERLY HOUSING** needs can be defined, in part, by the age distribution and demographic projections of a community's population. This identifies the maximum need for elderly housing. Particular needs, such as the need for smaller and more efficient housing, for barrier-free and accessible housing, and for a wide variety of housing with health care and/or personal services can be estimated through discussion with senior nonprofit organizations, the local Commission on Aging, the Area Agency on Aging, and health care and senior housing providers.

**LARGE HOUSEHOLDS**, defined in the 1980 census as households with five or more persons, have special housing needs. Large households tend to have difficulties purchasing housing because large housing units are rarely affordable and rental units with three or more bedrooms may not be common in many communities.

**FEMALE-HEADED HOUSEHOLDS**, as well as other families, need affordable housing with day care and recreation programs on-site or nearby, in proximity to schools and with access to services. Households with female heads, like large households, may have difficulty in finding appropriate-sized housing. And despite fair housing laws and programs, discrimination against children may make it more difficult for this group to find adequate housing.

**FARMWORKERS** have a variety of special housing needs in terms of affordability, location, and duration of residence. Although ABAG's analysis of housing needs did not find a regional need for additional farmworker housing in the Bay Area, certain cities and counties have such a need. Each locality's housing element needs to either estimate the local need for

farmworkers or explain its conclusion that no need exists; relevant data in either case should be included.

**PUBLIC EMPLOYEES** can also have special housing needs in communities with particularly high housing costs. Although they may be able to commute from other places in the region, a city or county may want to define its employees as a group with special housing needs.

**STUDENTS** may have a difficult time finding affordable housing in communities with universities or colleges. Shared housing and public or private dormitories may meet some or all of students' housing needs. Data on the number of students living in the vicinity without institutionally provided housing can be obtained from colleges or universities. In addition, a community may wish to analyze the housing needs of students returning to their local community.

**FIRST-TIME HOMEBUYERS** may already be assessed in the housing element. However, the task of finding an affordable home, meeting downpayment and closing costs, and qualifying for a mortgage may create a special category of housing need in a community. At least, the housing element should estimate the affordability of ownership housing for the first-time buyer.

### **Special Needs: Where to Get Data**

Data on the number and wage scales of school teachers, police and fire personnel and other public employees is readily available to any local government.

Data on the number of students living in the area or community is generally available from the university or college.

First-time homebuyer information can be gathered from local realtors and financial institutions.



## **Compile, present, and analyze housing needs assessments with an eye towards policies and programs.**

### **◆ Suggestion**

From a policy-maker's point of view, the most useful presentation of a community's total housing need would be in a summary table with all components and a possible range of housing needs outlined. The accompanying narrative should describe the assumptions made and the methodologies used.

The purpose of assessing the full extent of housing needs is to determine the direction in which a community's housing efforts should go. When combining needs, use three separate categories:

- 1) existing housing needs,
- 2) future housing needs,
- 3) particular categories for affordable housing and special needs.

The first two types of need are clearly distinct from one another, and the measures for each can be added together to determine a community's total need for housing. However, accounting for housing needs from the third category is more problematic. For example, the determination of the number of households currently overpaying for housing is a measure of an existing need for affordable housing, but demographic estimates of the aging of the population will suggest a future housing need. Therefore, special needs can be treated as either a subset of existing and/or future need or as an additional category.

Finally, a completed needs assessment will analyze the data presented, reach conclusions about a community's housing need, and suggest the policy and program directions necessary to meet that need.

# Where to Put New Housing?

**F**ollowing the determination of the amount and type of housing needed, the next phase in the revision of the housing element is to find opportunities to build new housing, preserve old housing, and improve poor housing to meet the community's needs.

A **LAND INVENTORY** should be conducted to locate sites suitable for residential development and to determine the amount of housing likely to be built on those sites. Furthermore, a thorough inventory makes possible an analysis of the residential holding capacity of a community and indicates both the problems and possibilities for new housing.

The land inventory should include not just vacant residential land, but also sites currently planned or zoned for some other use, but nonetheless suitable for housing. Publicly-owned surplus land, aging nonresidential land uses, under-utilized residential, commercial, and industrial land, and areas with mixed-use potential should be counted.

A survey and map of all available land should be made as part of the land inventory and should be included in the housing element. A written inventory accompanying the map should indicate the size, general plan designation, zoning, housing types possible, development status, and availability of key public facilities and services (water, sewer, streets, police, fire, etc.). The map and survey information will assist homebuilders and community developers in undertaking projects to meet local housing needs. Data on land ownership can be useful if a city decides to undertake a landbanking program.

## Four techniques for inventorying sites:

**Land use maps.** Scaling with a planimeter a current land use map is the least expensive technique to compile data on land quantities. However, descriptive characteristics of the land including its physical attributes and environmental constraints are difficult to capture using this technique.

**Aerial photography.** Vacant land can be pinpointed and descriptive information obtained from recent aerial photographs. Identifying underdeveloped land, however, is more time consuming. Scaling zoning setbacks and floor area ratios in multi-family zoning districts on aerial photos will help estimate the extent to which property can be further developed.

**Tax Assessors' Files.** Tax records have land use codes that indicate the development status of each parcel. An assessed value of zero for improvements identifies vacant land. This information must be mapped or field-verified.

**Surveys.** For small jurisdictions, a two-person team conducting a field canvas of vacant land is perhaps the most informative technique. Specific details of the parcels as well as the surrounding area can be recorded.





## Case Study

El Cerrito used the following headings in its table of site data completed as part of the land inventory. The table illustrates that the amount of available land will be sufficient to meet the city's new construction needs.

Site Name  
Square Footage  
Maximum Number of  
Dwelling Units  
Existing Zoning  
Number of Existing Units  
Current Use  
Increase in Dwelling Units  
Topography  
Street Type  
Adjacent Land Use

SITES FOR NEW HOUSING must be defined in the housing element. State law {65583(a)(3)} requires that the land inventory categorize housing sites by vacant land versus redevelopment land, and that the current or proposed zoning and the availability of infrastructure be noted. Importantly, the inventory must distinguish the total capacity for multi-family and single-family housing construction. In addition, development opportunities need to be identified for rental housing, factory-built housing, mobile homes, and emergency shelters and transitional housing for the homeless.

The RESIDENTIAL DEVELOPMENT CAPACITY of a community is not the theoretical maximum of units that could be built on the available acreage in each zoning category. Rather, common sense and state law requires that only suitable housing sites be considered. In addition to local land use designations, the proximity, availability, and capacity of existing services will also determine the suitability of residential land. In addition, any factors which limit housing development need to be analyzed (see next section).

The Department of Housing and Community Development (HCD) in its review of local housing elements pays particular attention to the identification of housing sites. For residential capacity to be counted towards meeting the housing needs of a city or county, the likely number of units to be built in the five-year period of the housing element must be quantified. For redevelopment sites to be considered, the local government must show that such land reuse will take place. To count housing planned outside its legal boundaries, a city must have a rezoning and annexation program.

PRESENTATION of the land inventory should be made, again, with local policy changes in mind. A range of possible residential capacities should be put forward in the housing element, with the assumptions and implications of the estimates made clear to policy-makers and the public.

# Constraints to Housing Development

**I**n reviewing housing sites and opportunities, one needs to consider what local policies and non-governmental constraints limit a community's ability to provide housing. A full understanding of both the local opportunities and constraints should also suggest several potential housing programs — programs which will capitalize on the existing opportunities and reduce or eliminate barriers to all types of housing development.

GOVERNMENTAL CONSTRAINTS on housing development are the most important ones to identify when revising a housing element. State law {65583(a)(4)} defines these constraints as "land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures." Most of these regulations were probably adopted with intentions of protecting community character. However, some of these local policies or ordinances may inadvertently affect the availability or affordability of the housing being built, or they may encourage the loss of existing affordable housing.

One purpose of the housing element update is to evaluate local regulations and traditional practices in light of a community's housing needs, in particular its need for affordable housing. The evaluation of the current housing element and existing programs, conclusions drawn from data on housing construction, and the land inventory may all reveal local constraints.

LAND USE CONTROLS AND ZONING usually create the most significant housing constraints in a city or county. Does a community's land use designations allow for a range of housing types? Are there enough land use and density categories and do they match well with the local need for housing? Do growth limitations

## ❖ Suggestion

**Comparing regulations** with neighboring or similar jurisdictions may illustrate the extent to which a community's ordinances and practices exceed typical regulatory behavior. Input from developers, building officials, and neighborhood groups within, and from outside, a community may help highlight undue constraints.





## Case Study

**Redwood City**, like many other cities, has streamlined its approval process by encouraging a preapplication consultation. At this stage, developers are invited to discuss a development concept with city staff members and thereby benefit from the staff's knowledge of local plans, codes, needs and attitudes, and available and planned infrastructure. The consultation also provides the city with the opportunity to suggest project changes to help it meet community objectives. After application, the project is reviewed and discussed by seven city departments during a weekly plan review committee meeting. This preliminary information is immediately communicated to the applicant. **Contact:** Charles Jany, Senior Planner, Redwood City Planning Department, (415) 780-7000.

unduly restrict housing development? Have local constraints on the supply of new housing forced up prices on existing housing? Do project mitigations result in housing being built at less than the allowed capacity of a site? Do high fees or other exactions result in high-end, rather than lower-cost, housing being constructed?

**CODES AND STANDARDS** may also constrain the development or preservation of affordable housing. Local design regulations such as height limits, setback requirements, subdivision standards, street-width minimums, lot coverage maximums, cumbersome review or approval processes, and extensive public hearing requirements may deter, slow, or prevent needed housing development. Parking, open space and other requirements can add significantly to the cost of development. Local building code revisions which enhance construction standards in excess of the Uniform Building Code may also act as an unwarranted constraint on residential development.

**ENFORCEMENT** of local ordinances relating to historical preservation, building or fire codes, or energy or seismic standards may have a negative impact on preserving the affordability of existing housing. Older dwellings built under less demanding codes may become safer, but too expensive, if required to meet tough codes when remodeled or otherwise inspected. Combining code enforcement with financial assistance for rehabilitation can preserve the affordability of such housing. All government ordinances and their enforcement should be evaluated in light of possible constraints and impacts on the availability and affordability of housing.

**NONGOVERNMENTAL CONSTRAINTS** are all other factors which negatively impact "the maintenance, improvement, or development of housing for all income levels, including the availability of financing, the price of land, and the cost of construction" {65583(a)(5)}. Clearly, the potential list of all constraints on the development could be quite long, and include information on national economic conditions and regional geology. However, this analysis will be most useful if it focuses on those non-governmental constraints which local policies or programs can correct, or at least those constraints that local efforts will have to adapt to or overcome.

In addition to giving program direction, the analysis of development factors (construction and land costs, financing constraints) can provide very useful information in estimating the funding requirements of local programs and the amount of housing that can be built with local funds available.

Analysis of these factors should provide enough detail and definition to be useful in policy evaluation and program design. The cost of land should be compiled for available land in both single- and multi-family zoning districts. The cost of construction should be analyzed on a square foot basis for single- and small and large multi-family projects. Costs for construction should include the costs for land, fees, material, labor, and financing. The availability of financing should include data on area interest rates compared to similar areas nearby, and the ease of obtaining mortgages in a particular area.

THE COST OF LAND varies considerably between and within jurisdictions. Market factors, especially the desirability of the location, play the dominant role in setting property values. Local land costs can be difficult to determine, but a review of listings with the assessor's office and discussions with local developers or real estate brokers can provide some basic understanding. Non-profit developers or public agencies with local development experience should also be able to supply or verify land cost data, which is usually best expressed on a per square foot basis.

The housing element should make use of land cost data to identify the best locations for the development of lower-cost housing. Where are the lowest land costs in relation to the greatest area of need? What impact do higher densities and/or proximity to transit and municipal services have on land costs? What price differences exist between multi-family and single-family zones? And between land designated for housing and non-residential land which might be suitable for housing?

### ◆ Suggestion

One likely conclusion that will be drawn from this analysis is that high land costs are a significant constraint to the development of affordable housing. This unsurprising fact should be used to point out the value of programs that make publicly-owned surplus sites available for affordable housing and policy changes which increase the opportunity for housing on lower-cost land.





## Case Study

**Oakland** conducted a "Community Credit Needs Assessment" which investigated the financing requirements and availability of mortgages for homebuyers, loans for home improvement and rental property rehabilitation, and for financing the construction and acquisition of affordable housing. The study, conducted by an outside consultant, found that home loans were not readily available in some neighborhoods or made only by higher-cost brokers, that no private source of home improvement loans existed, and that conventional lenders were reluctant to make loans for SRO hotels. **Contact:** Jeffrey Levin, Office of Community Development, (415) 273-3502.

**HOUSING CONSTRUCTION COSTS** also constrain the amount and affordability of new housing. However, the cost of construction varies with the type of new housing and the way it is built. The housing element should identify and compare these building costs. In particular, this analysis should focus on the relationships between construction costs and density and type of building. An actual calculation of such costs can be used to set zoning categories and design standards to encourage the development of the lowest cost housing. Again, local builders and non-profit developers can help supply the necessary data.

Generally, wood frame construction at 20-30 units per acre is the most cost efficient method of residential development. However, local circumstances of land costs and market demand will impact the economic feasibility of construction types. Finally, the cost benefits of manufactured and pre-fabricated housing should be noted in the housing element in order to support local programs and policy proposals to develop such housing.

**AVAILABILITY OF FINANCING** may also constrain the development or conservation of housing. Clearly, mortgage interest rates—a national factor—will have an influence on homebuyers, although local governments can offer some financing assistance to help minimize the impact of high rates. In addition, it may be important for a community to assess the local availability of real estate financing. Do certain rental housing developers have difficulty in obtaining loans? Do lenders not make loans to homebuyers or developers in certain neighborhoods? If not, why not? If specific areas or types of housing appear to have more difficulty obtaining funding, it should be documented in the housing element. All banks are required to keep accurate records on lending practices in all areas. Additional insight on housing finance can be gleaned from real estate agents, local builders, and nonprofits.

# Designing Programs That Work

**T**he housing element—its analysis of existing policies and programs, the wealth of data, the assessment of local housing needs, the inventory of land and zoning, the discussion of constraints, and the input of the public and informed citizens—prepares a community to take effective action. New housing can be built, existing housing can be protected and rehabilitated, lower-income households and other groups with special needs can be helped, surplus city land can be used for affordable housing, non-profit developers can be supported, and a host of other actions which can have a tangible impact will now be apparent and possible. This is the goal and the reward of a housing element revision.

**LOCAL POLICIES AND PROGRAMS** are the vehicle for allowing and encouraging action to take place. The housing element should suggest policy changes and list programs to be implemented. Priorities can be assigned to these local actions.

Since these programs—the planning techniques, the generation and expenditure of funds, the direction of local government staff and resources—are the heart of a housing element, this handbook has an in-depth directory which lists numerous types of programs that local governments can adopt. These, of course, are not the only actions a community can take, but the directory should give a city or county a starting point in devising its housing programs. The challenge for those involved in the housing element revision is to identify and design the programs which are most appropriate—and will be most effective—for their community. A review of earlier steps will help:

**PAST PROGRAM PERFORMANCE** offers the quickest and easiest program direction. What works and why? What did not work and why not? Look at the housing that has been built in a community: what did the local jurisdiction do to make it happen, and how can more of it be encouraged? What programs does the city or county currently have for the provision of affordable housing? Do they need expansion, revision, or replacement?

**Describe the community's housing programs in detail.** Action programs should implement a city's or county's housing and land use policies. In order to conduct ongoing and future evaluations, numerical objectives for each program must be set. To assist the community in implementing programs, the housing element should describe each housing program, identify the roles for each agency or department responsible for carrying it out, list funding requirements and sources, and define the short-term steps and a time frame for accomplishing the program.



### ❖ Suggestion

The calculation of development and construction costs done as part of the constraints analysis can be used in the design of programs that use local funds. How many units can be built or rehabilitated with the amount of funds available? What is the most cost effective approach?

Further suggestions on local housing programs can be found in the program directory of the handbook.

The HOUSING DATA AND ASSESSMENT OF NEEDS for a community should suggest several housing programs. Who is most in need of housing? Who is not being served by local programs? Who is being forced out of a community, or kept from moving in, because of high housing costs? What programs will assist them? What kind of housing is being built in a community? Is it enough, the right type, and reasonably priced? Are there adequate programs to address all of the needs identified?

OPPORTUNITIES identified in the land inventory and a review of other local resources can lead to the design of highly successful programs. Can public sites, vacant land, or underutilized lots support new housing? What policy changes or programs are needed to make housing possible on those sites and/or supply the subsidies necessary to make them affordable? In particular, what land use changes would make housing more available and affordable, either on existing sites or on new ones? What policy changes or programs would direct a community's financial resources towards housing?

CONSTRAINTS to housing call for a program to remove or overcome each constraint identified. This is especially true for local governmental regulations, policies, and practices which deter housing development and preservation. Why do those constraints exist? How can they be eliminated or modified? In dealing with those constraints that are not within the scope of a city or county, a community needs to design programs which recognize, adapt to, and/or overcome these barriers.

COMMUNITY SUGGESTIONS gleaned from the input and participation of the public and local experts can also serve as the impetus for housing programs. In particular, the recommendations of non-profit developers, homebuilders, community groups serving those with special needs, realtors, and involved citizens may not only be well-suited to the community they may also have local political support for adoption.

# Deciding How Much Housing to Provide

**E**ach housing program must have a numerical goal for the number of housing units it can produce, rehabilitate, or conserve in the next five years. The total of these quantified objectives should be evaluated in light of the development capacity, i.e., the amount and type of land available for housing. In combination, these numbers should be used to determine a community's housing goals for at least the next five years.

State law {65583(b)} requires the housing element to define the "community's goals, quantified objectives, and policies relative to the maintenance, improvement and development of housing." This entails not only a clear statement of what a community hopes to accomplish with its housing element, but also the program objectives for the number of units to be built, rehabilitated, or preserved and the number of households to be assisted.

## **Compare the community's ability to build housing with its stated housing needs.**

The sum of the quantified objectives for the programs should ideally be equal to or surpass the community's identified housing needs. If the expected number of units to be built in total and in each income or special needs category falls short of a community's housing needs, another review of land availability, development constraints, and proposed housing programs should be conducted. What potential approaches were overlooked? How can a proposed program be expanded? What constraints can be removed? How can additional sites be made available? This should be an iterative process, comparing quantified objectives and assessed need and re-evaluating housing and land use programs until a community's housing needs can be met.



State law {65583(b)} recognizes that "the total housing needs identified may exceed available resources and the community's ability to satisfy this need within the content of the general plan. Under these circumstances, the quantified objectives need not match the identified existing housing needs but should establish the maximum number of housing units that can be constructed, rehabilitated, and conserved over a five-year time frame." However, such a conclusion should not be reached lightly. A community's failure to meet local or regional housing needs will subject it to critical and in-depth review from state agencies, neighboring jurisdictions, local citizens, and housing advocates.

If a city or county is unable to meet its housing needs, the limitations of the proposed and existing programs should be clearly discussed; the rationale for the rejection of other programs and policy changes should be explained. This will make the housing element more defensible.

# State Review

**W**hile a housing element will respond primarily to local conditions, problems, and opportunities, state law outlines basic components that must be contained in each housing element. By following the recommendations of this guide in developing a housing element, all of the statutory requirements should have been met.

The State Department of Housing and Community Development (HCD) reviews all draft housing elements for compliance with state law; HCD's review is limited to the elements required in the legislation. The most specific requirements fall into the state-required assessment of housing needs, outlined in Section 65583 (see appendix). It contains seven categories of analyses. They are:

- 1) existing and projected housing and employment trends to assess a locality's housing needs for all income levels;
- 2) household and housing characteristics including level of payment compared to ability to pay, the number of overcrowded housing units, and the housing stock condition;
- 3) inventory of land suitable for residential development, including vacant sites and sites having potential for redevelopment, and the relationship of zoning and public facilities and services to these sites;
- 4) governmental constraints on housing for all income levels;
- 5) nongovernmental constraints on housing for all income levels;
- 6) special housing needs for handicapped individuals, the elderly, large households, farmworkers, female headed households and families and persons in need of emergency shelter;
- 7) opportunities for energy conservation in residential development.

## State Law

Section 65584(b) and (c) specifies: "At least...45 days prior to the adoption of an amendment to this [housing] element, the planning agency of a local government shall submit a draft of the element or amendment to the department. The department shall review drafts submitted to it and report its findings to the planning agency...within 45 days of receipt of the draft... The legislative body shall consider the department's findings prior to final adoption of the housing element or amendment unless the department's findings are not available within the above prescribed time limits..."

"Each local government shall provide the department with a copy of its adopted housing elements or amendments. The department may review adopted housing elements or amendments and report its findings."



## Typical Deficiencies

HCD's letters of review frequently have mentioned several common deficiencies or missing components in housing elements:

A lack of quantified, numeric objectives.

A lack of analysis of the special needs of certain population groups.

A lack of specific programs tied to the needs identified in the element.

Failure to identify a time frame or responsible agency for carrying out programs.

Failure to describe data methodology and the assumptions used when deriving estimates or other numerical measures.

To facilitate its review, HCD has developed a worksheet which lists the mandatory elements. (The worksheet is provided in the appendix.) If housing elements are lacking any of the information listed, HCD will highlight it in their critique.

However, in many housing elements which meet HCD's checklist of statutory requirements, the analyses of the data are often deficient. Merely including the data required in the checklist is not always sufficient to conform with state law — a qualitative analysis is equally important. A jurisdiction must refine, present and analyze the data relative to its local circumstances. For example, exactly who are the groups with special needs? Are the neighborhoods with a disproportionately high number of seniors the same neighborhoods with inadequate public transit and other services?

One particular step that HCD will take is to compare the amount of land available for the development of multi-family housing with the jurisdiction's need for lower-income housing. While it is understood that not all multi-family units will necessarily be affordable to lower-income households, it is unlikely that these housing needs will be met in areas zoned for single-family housing. If a community's supply of land for multi-family housing is insufficient to meet its lower-income housing need, HCD may find the community's housing element inadequate.













# Special Housing Innovations

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# Adaptive Reuse

**T**he conversion of outmoded buildings can provide the opportunity for new residential uses within a community. Buildings being converted are often large and vacant and were used for institutional or other non-residential activities. Adaptive reuse projects have involved old school buildings, train stations, hospitals, and other public buildings; inns and hotels; and warehouses, factories, and other industrial buildings. Hotels and schools have been converted to apartments, and industrial buildings have turned into live/work spaces.

## BENEFITS

- ✓ As a housing strategy, adaptive reuse can introduce housing into non-residential areas, restore buildings to a useful purpose, or provide live/work space at a reasonable cost.
- ✓ Reuse of underutilized or deteriorated buildings often means augmenting local tax rolls.
- ✓ Some adapted buildings are local landmarks of historical and/or architectural significance, containing features that cannot be easily duplicated at today's construction costs. These projects may qualify for preservation tax credits for private investors if used for low-income housing.

## GETTING STARTED

- ✓ A comprehensive survey could, as a first step, identify the extent of adaptive reuse possibilities within a community. Implementing such activities depends on the property's location, age, configuration, and structural condition, along with several political, financing, and tax-related considerations.
- ✓ Non-profit corporations and private developers have been able to combine creative planning, government grants and loans, and federal tax incentives not only to rescue individual sites but also to spark neighborhood revitalization.

## Case Studies

**Emeryville.** A 72,000 square foot, 3-story abandoned factory building was converted into 51 artist live/work units in 1986 by a private developer with no public subsidies. The structure contained high ceilings and large windows. The interior was gutted and replaced with large, open units averaging 1,200 square feet in size. Each live/work unit has a complete kitchen and bathroom. The units are rentals averaging \$1000 per month. Most of the occupants are artists and use their units for live/work. The building is now proposed for conversion into condominium live/work units. **Contact:** the developer, Moses Libitzky, Soho West, Oakland, (415) 652-0800.



## Case Study

Rather than tearing down the old Mercy Family Hospital, **San Francisco** has provided \$900,000, partly from Office-Housing linkage fee funds, for rehabilitation of the building into 36 residential units. The city's participation was structured as a deferred payment loan, with no payments until the 50-year affordability requirement on 62 percent of the units expires. To ensure continuing affordability, the City requires repayment of the entire loan amount with interest should affordability requirements be violated. Affordable rents for the project are classified as 30 percent of 60 percent of Area Median Income. The joint profit-non-profit agency effort will also use historic tax credits, low-income housing tax credits, Savings & Loan financing, and foundation money for the multi-million dollar rehabilitation, which will be completed in mid-1990. **Contact:** the developer, John Stewart, at John Stewart Co., (415) 391-4321, or Grace Moy, San Francisco Mayor's Office of Housing, (415) 558-2881.

## KEYS TO SUCCESS

- ✓ Communities can encourage adaptive reuse through flexible zoning, such as mixed use, or by allowing residences as a permitted use in certain commercial and industrial zones.
- ✓ Where public buildings are involved, cooperative public officials are invaluable. Cooperation includes expediting the property transfer and supporting the rehabilitation process with loans, grants, and rent subsidies where needed.
- ✓ Historical tax credits and programs and organizations supportive of preservation will provide additional clout and resources for adaptive reuse.



# Self-Help Housing

**S**elf-help, or sweat equity, housing enables potential homeowners to build up credit for a down payment on a home by contributing their labor to the construction or renovation. It can be a means for the low income household to enter the housing market. Programs can be utilized by individuals or groups, usually with subsidies and public support. California Housing Finance Agency (CHFA) finances self-help housing by providing below market bond financing for mortgages on homes in urban areas. The Farmers Home Administration Mutual Self-Help Housing program has sponsored many rural projects.

## BENEFITS

- ✓ Program allows individuals and families to obtain a home for which they could not otherwise qualify. It saves money both for participants and funding sources because of the labor provided. The on-site home building or renovating experience provides valuable skills for the participants.
- ✓ When programs involve rehabilitation of neglected homes, the housing stock is improved and properties are returned to the tax rolls.
- ✓ Self-help housing may be of higher quality than other housing, because owners are responsible for completing detail work.

## GETTING STARTED

- ✓ Community non-profit organizations tend to organize most self help projects. Local governments can contact non-profits to provide information on the existing local opportunities and/or assist interested players.
- ✓ Participants must be recruited, counseled about the program, and assisted with acquiring the land and/or buildings. Participants will require tools, materials and training in their use.



## Case Study

**San Jose** helped a non-profit corporation develop 13 attached units (townhomes) of self-help housing. Each participant or family contributed 40 hours/week of their labor and \$3,500 for the tools and equipment required. This is a mutual self-help construction process: participants work as a team and build about 80% of the homes. Participants must hold other jobs, as they must qualify for a \$25,000 minimum loan. Each unit costs about \$90,000. The shortfall is made up by loans from the San Jose Redevelopment Agency, whose loans are deferred and payable in 30 years. Payment of a third mortgage loan, provided by the California Self-Help Housing Program, is also deferred. Work is supervised by a licensed contractor. The California Housing Finance Agency (CHFA) provided \$600,000 in bond financing for this project. **Contact:** Kathy Ebright, Community Housing Developers, (408) 292-9969.



## Case Study

**Petaluma** supported a non-profit housing corporation to develop 32 owner-constructed attached single-family homes. The non-profit received approximately \$140,000 from Petaluma's in lieu housing fee program for street improvements, fee reductions, and start-up costs. **Contact:** Warren Salmons, Community Development and Planning Director, (707) 778-4301 or Burbank Housing Development Corporation, 843 Second Street, Santa Rosa, CA 95404, (707) 526-9782.

## KEYS TO SUCCESS

- ✓ Skilled organizers to manage the project and supervisors to oversee day-to-day aspects of construction are a critical component.
- ✓ If prospective tenants work together on each other's houses, projects will be finished sooner and more cheaply.
- ✓ Committed participants will finish projects more quickly and cheaply, and the result will be better built.
- ✓ Donated labor, materials, land or advice from the City, leveraged from the private sector, or provided in coordination from non-profits will conserve funds.
- ✓ Grants and loans from local governments fill financing gaps.
- ✓ Offsets or forgiveness of city fees, for example, for park development, also help lower overall development costs.
- ✓ Relaxed city design standards and expedited processing provide added incentive to self-help.



# Factory-Built Housing

**T**he most affordable house on the market today may be the factory-built house; it is the least expensive to construct and, once built, it is difficult to identify between prefabricated and custom housing.

Open panel housing is preassembled, conventionally framed wall, floor and ceiling structural panels which are joined on site. Modular housing is composed of factory assembled three dimensional boxes of wall floor, ceiling and roof elements. Plumbing, electrical, insulation, and finished walls are also installed in the factory. Manufactured housing are factory built mobile homes built to the HUD mobile home standards.

California law (Government Code 65852.3) permits all manufactured homes, built under HUD guidelines and on a foundation, to be placed on lots zoned for conventional single-family residential dwellings. The homes must conform to the same development standards of a conventional single-family residence (building setbacks, parking, design review, etc.) but may also be subject to three additional architectural requirements: roof overhang, roofing material, and siding material.

## BENEFITS

- ✓ Today's manufactured home is a high quality housing product that is less expensive than traditional stick-built/site-built homes.
- ✓ The unit can be set up and finished very quickly after it arrives at the site. This speedy "house raising" shortens the interim financing period necessary for the unit, the land, and the site improvements.
- ✓ Manufactured housing is an option for infill development of small, odd-shaped parcels, including surplus rights-of-way. In areas where back yards are large enough, but homes are too small to accommodate an accessory unit, small manufactured homes could be placed on the lot.



## Case Study

**Oakland** has experienced both well designed and poorly designed manufactured housing on infill sites. Along 35th Avenue, a long, narrow strip of land (1.74 acres) was developed successfully with 30 attractive manufactured homes. This Laurel Courts project won the support of neighborhood groups who had opposed previous high density multi-family proposals. However, in West Oakland, cheap-looking units were placed on lots adjacent to old Victorian homes. The City enacted a moratorium and is in the process of establishing a design review ordinance to resolve the problem of design compatibility. **Contact:** Alvin James, Planning Director, (415) 273-3941. The Laurel Courts project developer is Paul Wang and Associates, Berkeley, CA., (415) 524-6752.





## Case Study

**Vacaville.** Two subdivisions in Vacaville were developed primarily with manufactured homes. These were infill projects, each consisting of about 20 lots. Projects included conventional on-site constructed homes as well as manufactured, and conformed to all zoning requirements of their districts, including design review approval. The city did not offer any incentives to developers to lower the housing cost. **Contact:** Fred Buder, Planning Department, (707) 449-5140.

✓ Manufactured homes are also an option for conventional subdivisions and planned unit developments. For multiple housing construction sites in subdivisions, factory built parts will be less expensive. However, on difficult terrain or locations where transportation access is limited, the costs of moving the parts may offset the benefits.

## GETTING STARTED

✓ Since factory-built and manufactured homes may not be restricted from locating in a residential district, they are a viable option for affordable housing under existing residential development regulations. Some communities have enacted architectural compatibility standards to ensure that these projects will blend into existing neighborhoods and to alleviate public concern over design compatibility.

✓ Communities can also adopt zoning incentives for manufactured housing development.

## KEYS TO SUCCESS

✓ Manufactured housing continues to face citizen resistance due to negative, often inaccurate perceptions. Local officials can help to dispel such negative attitudes with help from the manufactured housing industry. Both public officials and industry representatives could develop a model site to showcase the product.

✓ Developers need to be sensitive to the design of the existing neighborhood and ensure that the manufactured or modular home is compatible.

✓ Local governments may need to adopt a design review process to encourage compatible design. Roof lines are an important consideration as is the architecture of adjacent homes.

# Mobile Home Park Preservation

**P**reserving mobile home parks allows a community to protect a valuable source of usually irreplaceable affordable housing. Although statutorily mobile home parks are a permitted use on all residentially designated land in the general plan (Government Code 65852.7), existing mobile home parks continue to be threatened by the escalating value of land and accompanying development pressure. New parks are difficult to develop in high cost areas.

Many communities, the State of California, and non-profit organizations have assisted residents in buying their parks. Some cities and counties have passed conversion ordinances to preserve mobile home parks and/or to assist the residents who might be displaced. Local ordinances may be adopted which limit conversions or specify conditions and provide for assistance to residents. Other ordinances establish mobile home rent control or seek to achieve long-term access to the land or impose resale restrictions on the site.

## BENEFITS

- ✓ Preservation aids those who can least afford to replace a stand-alone unit that they own.
- ✓ Availability of mobile homes eases pressure on senior housing, apartments, and sometimes on condominiums.
- ✓ New mobile home parks are useful in rapidly growing communities with low vacancy rates.

## GETTING STARTED

- ✓ Identification of local mobile home parks and analysis of their potential for conversion are the first steps to developing adequate programs. A local jurisdiction may then work with residents and owners to enact ordinances, provide subsidies, assist in purchase or otherwise preserve the housing.



## Case Study

**Santa Rosa** conducted a survey which showed 84 percent of the residents in mobile home parks were seniors, many of whom were overpaying for their housing. Armed with this insight, the City then tailored a pilot program to meet the community's specific needs, including: 1) requiring the park owner to give 60-day notice to the Housing Authority of intent to increase rents; and 2) establishing rent subsidies which are available to low and very low income residents. Funding for subsidies is provided from redevelopment tax increments, CDBG monies and park owner fees. The City also offers zero interest rehabilitation loans to low and very low income residents for correction of health and safety violations. Loans range from \$1,000 to \$8,000. **Contact:** Gale Brownell, City of Santa Rosa, Dept. of Housing and Redevelopment (707) 576-5465.



## Case Studies

**Sunnyvale.** After a one-year study, the city enacted a Mobile Home Park Conversion Ordinance in April 1987. The ordinance requires a mobile home park owner to apply for a change of use permit from the City Council. If approved, the park owner is required to buy each mobile home unit at 85% of in place value if residents cannot be relocated. Of the 18 mobile home parks in Sunnyvale, no park owner has requested a change of use since enactment of this ordinance. **Contact:** Theresa Blake, Housing Division, Planning Department, (408) 730-7250.

**Concord** has 11 mobile home parks with a total of 1,825 spaces. A large percentage of the residents are elderly who live on fixed incomes. Because of the threat of park conversion, the city enacted a Mobile Home Park Conversion, Discontinuance or Closure Ordinance which specifies procedures and requires relocation benefits and assistance to residents. The city works with park owners and residents to stabilize space rents. **Contact:** Lydia DuBorg, Director of Urban Resources, (415) 671-3364.

## KEYS TO SUCCESS

- ✓ Senior groups and mobile home park owners can help define mobile home park problems. Their support and expertise is also helpful in developing community support for new programs.
- ✓ A city council or county board of supervisors, committed to preserving affordable mobile home housing, could consider the following variety of approaches:
  - Provide rent subsidies;
  - Grant financial assistance with CDBG, tax increment funds, or other local resources;
  - Establish rehabilitation loans to correct health and safety violations;
  - Participate with the mobile home park residents in the state's Mobile Home Park Assistance Program;
  - Require adequate notice of any intent to raise rents;
  - Adopt preservation ordinances with measures to encourage retention of housing, aid in relocation, and provide compensation to owners and residents;
  - Protect current mobile home parks and sites by zoning them for an appropriate residential use;



# Senior Housing

**W**ith the overall aging of society, the senior population (persons over 65 years of age) will increase in most communities. Consequently, the need for affordable housing and specialized housing for older residents will grow. Typical techniques to meet the housing needs of the elderly include: smaller attached or detached housing for independent living (both market rate and affordable); second units; homesharing for those who wish to stay in their homes; age-restricted, below market rate rental projects; congregate care facilities (combining housing units with group dining and/or medical facilities); lifecare facilities (similar to congregate care, but where occupants own their own condominium or cooperative unit); residential care homes licensed by the state; and skilled nursing homes. (See report sections on Shared Living, Congregate Care, and Second Units.)

## BENEFITS

- ✓ The provision of senior housing allows resident to remain in a community as they age.
- ✓ Assisting or encouraging older households in large homes to move into smaller units, group living arrangements, or care facilities, effectively increases the supply of housing for larger families. In addition, seniors-oriented projects may better meet the needs of older persons.
- ✓ Higher density elderly housing developments often are approved in the public review process more easily than non-targeted multi-family projects.

## Case Study

**Belvedere** has constructed 92% of its projected housing needs for low- and moderate-income seniors. The City first adopted a policy in its housing element to waive building and planning fees for such housing, and then appointed an advisory committee to guide construction of senior housing. The City made an agreement with the Belvedere Land Company to exchange the last vacant multifamily-zoned site at 50% of the market value for surplus school lands on the hillside. With help of a non-profit corporation, a community group, an architect, and funding from a wide variety of public and private sources, 11 units of lower-income housing were built. One unit was also designed for a disabled tenant. Fifty percent of the units were reserved for residents of the Tiburon-Belvedere peninsula, the remainder were advertised countywide and selected by lottery. **Contact:** Erwin Farley, Belvedere-Tiburon Housing Association, (415) 435-4778.



## Case Studies

**Palo Alto.** The city's Senior Coordinating Council provides housing counseling and referral services to seniors seeking housing in Palo Alto. The SCC publishes a booklet listing sources of affordable housing for seniors, and promotes shared housing through placement of seniors either looking for a home or willing to share their home. The counseling program is funded by CDBG funds. **Contact:** Anne Sturtevant, Senior Coordinating Council of Palo Alto, (415) 327-2811, ext. 151.

**San Leandro** has a Housing Rehabilitation Program which uses federal Community Development Block Grant money to give small grants and low-interest loans to low-income and senior residents to help maintain their family homes. Almost 700 San Leandro residents, 80 percent elderly, have used this program and the grant and loan program for minor repairs (up to \$500). Applications for the minor repair program are approved within 3 or 4 days. An apartment owner may also use the program for repairs to property where the majority of tenants are low income. These loans may be forgivable after 10 years. **Contact:** Neusa Pollard, Finance Specialist, Housing Rehabilitation Department, (415) 577-3344.

## GETTING STARTED

✓ First, the needs of the elderly and disabled should be evaluated and described in the housing element. Land use regulations may need to be reviewed to allow opportunities for each type of living facility. To further encourage senior projects, jurisdictions may designate a specific senior housing overlay zone which allows for higher densities and less parking than comparable residential categories.

## KEYS TO SUCCESS

- ✓ Identify local, state, federal and private sources for financial support.
- ✓ Investigate possibilities for local government/non-profit housing group partnerships.
- ✓ Develop loan programs to make borrowing easier for seniors.
- ✓ Senior housing should be sited close to transit, shops, and community services.
- ✓ Educate the community and build support for senior housing.



# Congregate Care

**C**ongregate housing is the contemporary term for the boarding house. It is long term housing in a group setting that includes independent living and sleeping accommodations in conjunction with shared dining and recreational facilities. It is usually occupied by seniors.

Residents of congregate care facilities occupy individual apartments; most have separate kitchens, although these may be minimal. The facility has a centralized dining room and kitchen where at least one hot meal per day is provided. Other services may include maid service, security/emergency services, recreation rooms, nursing assistance, and beauty salons.

A variation of the congregate care facility is called "life care." Elderly persons buy into a life care project with an initial non-refundable "accommodation" fee plus a monthly fee. The price guarantees occupancy in a particular size of apartment and typically one meal a day. Tenants may also move into a "personal care" unit (no kitchen, 3 hot meals provided) or nursing facility if health support needs change. One version of life care allows purchase of a condominium unit so that the member owns a real asset.

## BENEFITS

✓ Congregate care housing is particularly attractive to older persons, as building design and services can be tailored to the special needs of this group. The degree of health support services varies with the particular project. Below market rate projects have proved successful.

## Case Studies

**Burlingame** has encouraged the development of a number of congregate care facilities. The City does not allow kitchens in the units due to safety/fire hazard concerns. The Retirement Inn of Burlingame is comprised of 70 units that are mostly single rooms with a few one-bedroom apartments. The facility provides 3 meals per day. Some units are below market rate. The market-rate units are affordable to those with Social Security supplemented with additional monthly income. **Contact:** Margaret Monroe, City Planner, (415) 342-8625.

**Concord** approved construction of a 114 unit congregate care facility which provides meals, maid, laundry, recreational, and transportation services. Twenty-three of the units are reserved for lower income seniors through the City's density bonus program. **Contact:** Lydia E. DuBorg, Director of Urban Resources, (415) 671-3364.





## Case Study

**Walnut Creek.** Senior housing has "preferred" status under the City's Measure H, which limits growth of other development until traffic levels are reduced to a specified level. Kensington Place was built with a density bonus based on an increase in the floor area to lot area ratio (FAR). Because of the higher density, the developer agreed to maintain 20 percent of the units at affordable rents for 15 years. The rent for half of these protected units is held to 30 percent of 80 percent of the HUD-established median income for the area (Alameda and Contra Costa Counties). Rent for the other half of the selected units is held to 30 percent of 100 percent of the median income. Service fees must be charged to the low and moderate income tenants at cost for the first year and then allowed to increase by the amount of the rise in the residential component of the Consumer Price Index in each year thereafter. Under the agreement with the developer, the City monitors applications and rent/fee increases as reported annually by the operator. **Contact:** Marge Kimmerer, Planning Department, (415) 943-5834.

✓ Project sponsors include both for-profit and non-profit organizations. With non-profit project sponsors, the facilities are often located close to their own facilities (e.g. churches, synagogues) and memberships.

✓ Congregate care housing for the elderly usually receive broad public acceptance and less neighborhood opposition.

## GETTING STARTED

✓ Local governments can begin by zoning larger areas for congregate care or for housing for the elderly and disabled. Local zoning ordinances usually allow congregate care projects in commercial zones and in selected residential zones, including single family.

✓ Many moderately-priced congregate care projects have been built using HUD's Section 202 and 202/8 programs which provide direct loan financing. Non-profit organizations have been instrumental in marshaling the resources to construct and operate the projects. Housing authorities and profit-motivated developers are also potential project sponsors.

## KEYS TO SUCCESS

✓ Management of the project is the paramount determinant of the quality of the environment for the residents.

✓ Non-profits contribute to the financial success of subsidized projects.

✓ Financial subsidies or land use concessions can improve the affordability of congregate housing.

✓ In market rate/expensive projects, sponsors may need to provide for the elderly occupant to buy an asset such as a condominium unit.

✓ Individual projects need to address the problem of "age segregation" where the younger elderly do not want to move into a project dominated by the very elderly.

# Shared Living

**S**hared living has various names: communal living, homesharing, and group living. It occurs when people reside together for social contact, mutual support and assistance, and/or to reduce housing expenses. The group may range from two elderly persons sharing a small home to several disabled adults sharing a large single family home. A single mother with an extra bedroom may share her home with an elderly person who helps with childcare and/or living expenses. The degree of assistance can vary from none (other than from other members of the household) to live-in, full-time help.

Small shared living facilities are permitted in all single or multiple family districts. Sec. 1566.3 of the California Health and Safety Code states: "a residential facility which serves six or fewer persons shall not be included within the definition of a boarding house, rooming house, institution or home for the care of minors, the aged, or the mentally infirm. No conditional use permit, zoning variance, or other zoning clearance shall be required of a residential facility which serves six or fewer persons which is not required of a family dwelling of the same type in the same zone."

## BENEFITS

- ✓ Shared housing reduces the cost of household maintenance for each member of the group, provides social contact, generates mutual support, increases personal safety and security, decreases the amount of assistance needed from relatives, and integrates special groups (such as the elderly) into the community. Senior projects generate few cars, which eliminates the impact of vehicles on the neighborhood.
- ✓ Government housing subsidies or funds from a sponsoring organization may be used more efficiently in group living situations.

## Case Studies

**San Carlos and San Mateo County** identified surplus land for housing for the developmentally disabled, including an underutilized school parking area. A non-profit applied to the city for the right to purchase and construct a group home for eight developmentally disabled citizens. The city sold the lot for the proposed project for \$1.00. The non-profit used state funds from the Rental Housing Construction program, community development block grants, and private donations. Community meetings were held to educate the neighborhood. No complaints have been received. Staff services are provided with funds from several social service agencies. **Contact:** Ellen Hardtke, Director of Residential Services, Peninsula Association for Retarded Children and Adults (PARCA), (415) 697-7237.

**Berkeley and Oakland** contract with a non-profit to manage a shared-housing referral and placement program for primarily low-income residents, from emancipated minors to the elderly. The cities have arranged several hundred home-share placements. Outreach is conducted through senior centers, social service providers, and community workshops as well as the media. **Contact:** Barbara Cappa, ECHO Coordinator, (415) 845-9030.



## Case Studies

**Redwood City** has approved the construction of a new shared home for six individuals in a single family neighborhood. A non-profit organization built and manages the 6 bedroom, 3 bath shared-living home. The city donated a vacant, substandard city-owned (zoned R-3) to the non-profit. **Contact:** Lois Almen, Executive Director, Human Investment Project, Inc. (HIP), (415) 845-9030; or Tom Passanisi, City Planning Department, (415) 780-7233.

In **San Mateo County**, a private non-profit corporation administers a countywide program which matches housing "providers" and "seekers". The project, which placed over 700 residents during 1988/89, received funding from a California HCD grant, the county, cities (CDBG funds and redevelopment), private individuals and foundations, and from fundraising activities. In return for city participation, the non-profit promises to place a certain number of residents in each city they serve. **Contact:** Lois Almen, Executive Director, Human Investment Project, (415) 348-6660.

## GETTING STARTED

✓ Cities and counties can review their zoning ordinances to increase opportunities for shared living arrangements for seven or more persons. Building codes may need to be revised if they require more living space per resident than is available in many homes suitable for conversion to shared living.

✓ Many cities and counties offer counseling services for homesharing by six or fewer persons. A local government interested in sponsoring a new program might contact existing homesharing organizations in the community for advice.

## KEYS TO SUCCESS

✓ Group residences need formal sponsors such as community organizations, churches, city government, county welfare department. Each sponsor assumes an ongoing responsibility for the home including the initial arrangements and development, resident selection, hiring supervisory staff (if any), monitoring operations, and providing emergency assistance.

✓ The concept of shared living may be difficult for formerly independent people to accept and the concept of special groups living in predominantly single family neighborhoods may be difficult for neighbors to accept. The involvement of non-profit groups active in homesharing can help overcome these concerns.

✓ Public education that addresses the misconceptions or a lack of knowledge about shared living is a strong element for success.

✓ Concentrate on good design that ensures opportunities for privacy to smooth the resident's transition from single family homes. Some remodeling of the unit may be necessary to provide both private and shared space.



# Second Units

**A** second unit is an additional self-contained living unit, either attached to or detached from the primary residential unit on a single lot. It has cooking, eating, sleeping, and full sanitation facilities. It is also known as a granny flat, in-law unit, or an accessory dwelling. State law permits second units and establishes minimum standards for their development. A local government can either adhere to the state standards or adopt its own second unit ordinance.

Opposition to these units generally comes from neighborhood concern over parking and traffic impacts. Local regulation can control the location, size, parking requirements, and architectural compatibility. In order to minimize (usually unfounded) fears that single-family neighborhoods will be overrun by second units, some communities limit the number of second units by neighborhood.

## BENEFITS

- ✓ Second units may offer affordable housing since there are no land costs. They frequently rent for less than comparably-sized apartments.
- ✓ Second units often occupy unused space in large homes, supplementing the income of the homeowner, thus allowing the elderly to remain in their homes or moderate-income families to afford houses.

## GETTING STARTED

- ✓ Since all communities have either adopted their own ordinance or accepted the State standards, the challenge is to (1) legalize existing second units and bring them up to code, and to (2) encourage construction of new units.
- ✓ A review of the existing ordinance and the amount, location and affordability of built second units may point to potential improvements and modifications.

## Case Studies

**Berkeley.** The "Double Unit Opportunity" (DUO) program is aimed at encouraging new second units based on the premise that most homeowners proceed legally to install a second unit when the approval process is flexible. The program provides free counseling, technical, and financial advice to homeowners interested in building second units. A total of 43 units have been assisted in three years. The program has also been successful in communities in Alameda, Contra Costa, Marin, and San Mateo counties. **Contact:** San Francisco Development Fund, (415) 863-7800.

The **Marin County** Housing Authority assists applicants who have plans and zoning permits by negotiating with lenders to buy down the interest rate (by about 3%) through the use of Community Development Block Grant (CDBG) funds. Applicants must qualify for the loan, limited to \$40,000, which is due and payable on sale of property. **Contact:** Laurie McCann, Marin Housing Authority, (415) 472-4030.



## Case Studies

**San Mateo County** allows for construction of both attached and detached units up to 700 square feet or 35% of the size of the main dwelling unit (to a maximum of 1500 square feet). Establishes a quota of a 5 to 20% maximum increase to the area's capacity based on its ability to accommodate additional housing. Requires design review approval. **Contact:** Lisa Welge, Planning Department, (415) 363-4161.

**Albany** is attempting to legalize unlicensed second units by relaxing existing unit requirements for a limited time period, with abatement of unlicensed units to follow. **Contact:** Claudia Cappio, Director of Planning, (415) 528-5760.

**Concord.** City ordinance permits secondary units, from 275 sq. ft. up to 640 sq. ft. in area, subject to a Zoning Administrator's permit. The ordinance requires owner occupancy of one unit, recorded in a deed restriction. **Contact:** Georgia Hoffmeister, (415) 671-3752.

## KEYS TO SUCCESS

- ✓ Achievable standards, fast track processing for units meeting standards, and sensitivity to compatibility within existing neighborhoods are all techniques to encourage second unit development.
- ✓ Develop specific performance standards dealing with such issues as minimum lot size, maximum unit size, parking standards, setback and height requirements.
- ✓ Limits on the maximum number of units within a neighborhood, requirements for owner occupancy, and high parking requirements may be necessary to ameliorate community concerns, but they may deter legal construction of second units.
- ✓ If second unit approvals can be made without a conditional use permit or other action requiring public hearing, property owners will find it less burdensome to add second units.
- ✓ Financial or technical assistance can encourage second unit development and improve their affordability.
- ✓ Allow for the legalizing and upgrading of existing units so as to conform with health and safety requirements. This can be encouraged by establishing building code requirements to achieve minimum health and safety requirements and by streamlining the conformance process.



# Single Room Occupancy Hotel

**S**ingle room occupancy hotels (SROs) are one of the most traditional forms of affordable private housing for single and elderly low-income people and for new arrivals to an area. An SRO room usually is small, between 80 and 250 square feet. It typically has a sink and a closet and shares a bathroom, shower, and kitchen with other rooms.

Many older SROs have been lost due to deterioration, natural disasters, hotel conversions, and demolition. The strategy is to preserve and rehabilitate existing residential hotels and encourage new SRO construction.

## BENEFITS

- ✓ Residential hotel units may be affordable to low-income households without the need for government subsidy. With subsidies, these units become affordable to very low income persons.
- ✓ Formerly homeless people often find SROs an affordable entry point into the housing market. The availability of low-cost SROs can also protect some people from becoming homeless.
- ✓ SRO rehabilitation preserves housing that is affordable, centrally located, reasonably secure, and that offers a social environment of independence and dignity.



## Case Study

**Oakland** has lost a substantial number of SRO units in recent years due to both public and private redevelopment projects. The City's concern over further demolitions and conversions led to a strategy to preserve and upgrade the remaining 2003 rooms in 25 hotels. The City adopted a Residential Hotel Rehabilitation Loan Program which provides owners of residential hotels with low interest loans to correct code violations and enhance hotel livability. The maximum loan amount is \$15,000 per unit. Some of the rooms must be kept affordable to and occupied by low-income persons for fifteen years. Oakland's SRO program combined with several other sources has provided funding for non-profits to rehabilitate three residence hotels: the Oaks, the Madrone, and the California. **Contact:** Jeff Levin, Office of Community Development, (415) 273-3502.





## Case Study

**Berkeley** recently approved construction of a new SRO for the corner of Fulton and Durant Streets. The project, developed by a private sector firm, will add 299 rooms of 170 square feet each to the existing stock of SROs in the East Bay. All rooms will have their own baths and kitchenettes and hook-ups for television and phone. Rent has been set at \$350 a month. Because the SRO was slated for construction in a C-2 zone, no zoning change was required.

**Contact:** the architect, David Baker + Associates, (415) 896-6700, or Steve Barton, City of Berkeley Planning, (415) 644-6004.

## GETTING STARTED

✓ A policy in the housing element calling for the adoption of an SRO preservation ordinance is a first step to slow the removal of units. Further, communities can arrange below market rate loans, allocate CDBG funds, or use tax increment financing to rehabilitate units. Zoning and building codes can be amended to discourage new construction in the area, thus limiting the pressures for demolishing the older structures in favor of new and larger (expensive) hotels. If public assistance is provided to a private owner to keep a property as SRO housing, then rehabilitation costs, social service delivery, and maintenance of the units at affordable prices will need to be addressed through a mix of public and private financing.

## KEYS TO SUCCESS

- ✓ The public or private sector needs to be willing to pull together an SRO program including administrative and technical aspects. Political support is necessary.
- ✓ Identify or create an organization with the financial strength and experience to evaluate, purchase, and rehabilitate an SRO or to enter into a joint venture with a for-profit developer.
- ✓ Private developers and lenders must be willing to pursue SRO hotels as a profitable housing venture.
- ✓ Educate neighborhood groups and local businesses about the advantages of new/rehabilitated SROs.
- ✓ Keep the program going with decent, competent management.







# Affordable Housing Tools

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# Local Resources for Affordable Housing

**I**n the last decade, cities and counties in the Bay Area have discovered, created, and employed numerous resources for the development of affordable housing. Although a lack of federal dollars has reduced the total housing subsidies available, this diminished presence has led cities and counties to design programs and build housing more suitable to and complementary with local needs and objectives.

Besides carefully employing local land use powers (techniques covered in previous sections), cities and counties with a commitment to building and preserving affordable housing can generate funds from several different local sources, apply their powers of public finance, and make available locally-owned land.

## **A combination of resources is usually necessary to build or preserve affordable housing.**

While many of the resources described in the following pages offer a community local control over development, rarely is any one subsidy source sufficient to develop affordable housing. Rather, by creatively applying several of these tools, a local government can make new homes appear where they otherwise would not and preserve existing housing where it might otherwise disappear. Local officials in many Bay Area cities, working alone or with a county government, local builder, or non-profit developer, have become deal-makers for affordable housing.

Although local resources can be the keystone to a successful project, local governments also have access to other subsidies for the development of affordable housing. Private sources of financing and funding are available, and growing. Foundations, banks, savings & loans, and private investors have become much more active in assisting in the development of affordable housing.

A few federal resources also remain, particularly



for developing housing for seniors and the disabled, and rehabilitating existing housing aiding the homeless. Finally, California voters have passed several bond measures to fund rehabilitation and construction of a significant amount of affordable housing.

### **What is the best way to use local resources?**

In planning to meet housing needs, communities will benefit by designing a rational procedure for employing resources. The following questions, although not exhaustive, should be included in the decision-making process.

**What resources are available?** Some resources may already be at hand, such as Community Development Block Grant funds, city-owned land, or proceeds from redevelopment. A combination of all current and potential resources, including land, local funding, municipal bonds, federal and state funding, and private resources, should be considered in designing an overall expenditure strategy.

LAND is perhaps the best local tool for assisting development. Many communities own land: unused school sites, surplus public properties, and even the air rights of parking lots. All have the potential to house a new residential development. In the land-short Bay Area, low- or no-cost land not only provides a significant subsidy, it can also give the local government great control over the type of housing built.

LOCAL FUNDS can be generated from various sources, including redevelopment proceeds, special taxes, fees on new commercial and residential development, sale of property, or interest on public accounts. And local governments can—and do—spend general fund revenues on affordable housing.

MUNICIPAL BONDS put the power of public finance to work for affordable housing. Because the holders of municipal bonds pay no taxes on the interest they receive, local bonds have lower interest rates than conventional financing. Local governments can also apply other financing tools to assist in residential development.

FEDERAL FUNDING has not completely disappeared, and much of it is available through programs which give local governments a high degree of flexibility in its use. Community Development Block Grant funds

and monies for rehabilitation and some funding for new development are still key resources.

**STATE FUNDING** has been given a boost by the passage of two bond measures to make available \$450 million statewide for new construction and rehabilitation of affordable housing.

**PRIVATE RESOURCES** are available from banks and savings and loans as well as private investors. A commitment to the community, federal regulations, and the tax code have helped create several financing and subsidy sources for the development of affordable housing.

**Who is to be served?** Most communities have a range of housing needs and scarce funds; priorities must be set. Should the elderly be provided with housing with support services, or young families helped buy their first home? The needs assessment from the housing element will help in this allocation process.

**How many units of what kind of housing** can be built or conserved—and how many households can be helped—with the local resources at hand? Efficient use of local resources entails evaluating the actual costs of development and determining how far local subsidies can go in making this housing possible. Rehabilitation may be more cost-effective than new development; subsidizing moderate-income housing may produce more units, but may not assist those most in need. Construction, land cost, and financing data collected for the constraints analysis in the housing element can provide the information necessary to compare the costs and output of various programs.

**How much subsidy?** Related to the above question is a policy decision about the depth, breadth, and length of any subsidy granted. If a local resource is viewed as a volume, then its three dimensions are: 1) the cost/affordability of each unit, i.e. the depth of the subsidy; 2) the number of units assisted, i.e. breadth; and 3) the length of time the subsidy is provided. While it is desirable to provide the lowest cost units for the most people for the longest amount of time, limited funds may require tradeoffs to be made between these three objectives. Different approaches in the use of local resources may also make it easier to achieve a certain objective.

**How should assistance be provided?** Subsi-

## **Long-Term Affordability**

When cities make an investment in affordable housing, they should consider not only immediate but also long-term implications. City commitments often involve sizeable financial outlays, not to mention the time and effort spent by staff to ensure the programs' success. With such costs, many cities already require that projects in which they participate remain affordable for 30 to 50 years; some cities have even required guaranteed affordability for 90 years (probably the outside of the building's useful life). HUD regulations require up to 40 years' affordability, and California state programs generally require 30 years. Affordability requirements are often written into deed restrictions. But the legally binding nature of such a process is uncertain, and it may make private financing more difficult. Loans can be structured with deferred payment, with no payment for the term of affordability unless affordability requirements are violated. Affordability requirements may last longer than the term of loans.



dies, given as one-time grants or on-going annuity payments, provide more support to a project or program, but future use of the funds is lost. Loans can be used to assist more than one project over time, though favorable financial terms are necessary to ensure long-term affordability.

Land can be either sold with affordability restrictions attached to its use or leased for a designated time period. If land or buildings are sold for a nominal price, a great degree of affordability can be achieved, but the local government may lose some control unless legal conditions on the use of the property are set. Leasing the land retains local control but may deter some developers and financing techniques.

**Who can best use local resources?** Affordable housing has been developed by many different groups. Non-profit developers have an excellent track record in using local resources to build or preserve low-income housing while gaining community support and trust. Private, for-profit builders frequently have construction expertise and access to significant financing resources. Local governments, through their housing authorities, can provide affordable housing without private involvement.

In addition to subsidizing new development directly, local governments can direct their resources to non-profit housing providers. Local funds can be used to support groups serving those in need of housing. Non-profits can use funds to execute specific housing programs or to support administrative costs.

**Who administers local resources?** If a local government has an experienced staff, then a community can use funds more flexibly. If not, the use of other appropriate agencies, such as county housing authorities, consultants, or non-profit groups, may be an effective way to administer local resources. Whatever method is used, local governments should monitor the use of local resources to make sure that community objectives are being achieved.



# Surplus Land

Perhaps the single most effective resource local governments have is the land it owns. As well, surplus land of school districts, other public agencies, churches, and even private corporations may offer opportunities requires governmental entities to notify, and consider a first offer for purchase from, other public bodies and non-profits interested in developing the land for housing. Although this law does not apply to the federal government, opportunities also exist in the disposal of federally-owned property.

## BENEFITS

- ✓ Any piece of developable land in the Bay Area is an opportunity for a community to build housing. If the land is owned by the local government, or can be acquired at no or little cost, then very affordable housing can be developed.
- ✓ Local ownership of a development site gives a community great control over the type and amount of housing built. As well, a city or county can use its land ownership to solicit competitive proposals from homebuilders and non-profit developers.
- ✓ Even if surplus land is not suitable for residential development, a local jurisdiction can sell the property to a private developer or public agency and use the proceeds to subsidize other affordable housing efforts. Also, sites can be traded to create appropriate development opportunities.



## Case Study

Pleasanton donated 10 acres of city-owned land to a local non-profit developer to initiate and subsidize the 200-unit Ridge View Commons, a very affordable senior project located close to downtown. The non-profit, working with a citizen's advisory group and city staff, combined the free land (which had a value of \$2.9 million), with more than \$2 million in local subsidies to reduce rents, \$706,000 in waived fees, a construction loan from the city, permanent financing and subsidies from the California Housing and Finance Agency, and \$7.2 million in tax credit equity from a major corporation. Ten of the 200 units are affordable to seniors earning 25% or less of the median income, another 70 apartments are affordable to very low-income households, and the remaining units have rent levels for those earning 50% to 60% of the median income. **Contact:** Chandler Lee, Principal Planner for Pleasanton (415) 484-8023, or Tim Truesdale of Eden housing, (415) 582-1460.



## Case Studies

**City of Alameda** is making possible Independence Plaza, 186 apartments for the elderly, by using five acres of surplus, no-cost land owned by the city's Housing Authority. The city is also providing local subsidies with tax increment funds from their Redevelopment Agency. The City issued a tax-exempt bond and will use some Housing Authority reserves to fund the project. Sixty-nine percent of the units will be affordable to low and very-low income tenants, with the remainder renting at market rates. Completion is slated for December, 1990.

**Contact:** Tom Matthews, City of Alameda Housing Authority, (415) 522-8422.

## GETTING STARTED

✓ The land inventory required in the housing element revision is the most logical and effective way to go about identifying surplus land. In conducting the survey, look critically at publicly-owned sites that may not be surplus now, but might be well suited for housing in the future. It is also useful for the local department or agency responsible for housing to contact land-owning departments and agencies to be aware of surplus sites.

## KEYS TO SUCCESS

✓ A thorough land inventory should be done with housing development in mind. It may be possible to relocate or consolidate current land uses to make an especially attractive housing site available.

✓ On-going communication with other public agencies and other entities which may have surplus land now or in the future will help provide site opportunities.

✓ The adoption of local policies and land use plans which favor the use of surplus land for housing makes it clearer and easier to direct this resource to the development of affordable housing.

✓ Cooperation with non-profits and homebuilders to help identify, evaluate, and eventually develop affordable housing.



# Landbanking

The development of affordable housing depends, to a large degree on the availability of a site. Landbanking is a technique whereby a city or county, in anticipation of future development, acquires vacant land, underutilized sites, or properties with the potential for reuse or rehabilitation. A local government may be able to buy land from other public agencies at a lower cost or before it comes on the market because state law gives local governments, and non-profits, priority in the purchase of surplus land. When resold or leased to a developer, restrictions for the development of affordable housing can be applied.

## BENEFITS

- ✓ The primary benefit is the significant subsidy that free or reduced-cost land can have on the affordability of the housing produced on it. Landbanking also gives a community direct control over the location, timing and type of housing built. In the land-short Bay Area, the creation of a site can be the single most important step in the realization of a low-income housing development.
- ✓ Landbanking, especially done foresightfully and propitiously, can make affordable housing possible, even well before a developer, subsidy sources, financing or design have been decided. Many local governments solicit competitive proposals for the development of affordable housing on their publicly-controlled site, and in this way achieve the most for their money and effort.
- ✓ Jurisdictions can assemble several smaller properties over time to create sites for larger projects.
- ✓ Landbanking can work as a defense against future increases in land prices, speculation, uncontrolled development, and the displacement of residents.



## Case Study

**City of San Mateo** has produced 256 housing units and a homeless shelter in the past six years by acquiring four different sites throughout the city. Purchases were made with the city's CDBG funds, local proceeds from the city's redevelopment districts, and over one million dollars from the city's general fund. Sites were acquired and assembled from the local school district, land acquired for transportation projects not undertaken, and private property owners. In addition, the city has completed a fifth project using the air rights of a public parking lot. In conjunction with non-profit entities and local community groups including the Rotary Club, city land has been used to develop a 96-unit condo development with home prices range from \$86,000 to \$114,000, another moderate-income 78-unit condo project, an 82-unit rental complex designed for low income seniors, and an existing structure for rehabilitation as a homeless shelter. After and during the acquisition of sites, project subsidies have been obtained with the low-income housing tax credit, local sources, community donations, and the use of Section 8 and Mortgage Credit Certificates. **Contact:** Ralph Petty, Planning Department, (415) 377-3390.



## Case Study

**San Jose** Redevelopment Agency has acquired, assembled, and assisted in the development of several housing sites as part of its downtown efforts. Working primarily with private builders, the city has purchased sites, solicited development proposals, and provided long-term financing and other significant subsidies to aid in the construction of housing and to make a portion of the new housing affordable to low- and moderate-income households. **Contact:** Bob Leininger at the Redevelopment Agency, (408) 277-5721, or Manny Ungson at the Department of Housing, (408) 277-4747.

✓ Because tax benefits are given to owners who donate land and buildings to tax-exempt agencies, communities may be able to take advantage of land-owner largess and goodwill.

## GETTING STARTED

✓ When conducting the inventory of vacant or underused properties for the housing element, the community can identify potential sites for acquisition including undeveloped land, underused properties, surplus schools or other land owned by public agencies, small parcels that can be assembled, and projects in foreclosure or other financial trouble.

✓ Working with financial institutions, school districts, foundations, service organizations, churches, and non-profit housing organizations, the jurisdiction can negotiate the purchase of a site and holds it until a housing project is designed.

## KEYS TO SUCCESS

✓ The availability of a significant amount of funding and/or the establishment of additional funding resources and strategies are necessary to purchase land.

✓ A thorough land inventory should be done with future housing development in mind. The involvement of a non-profit developer or other housing professional can help identify and evaluate potential building sites.

✓ The community should determine the type and location of housing desired, and make a clear statement of those objectives so that potential developers can also help identify site opportunities.

✓ Communication and cooperation with lending institutions, school districts, service organizations, religious institutions and other landowners will help identify potential sites for acquisition.

✓ The involvement of non-profit developers, local homebuilders, realtors and others with a knowledge of housing development and land costs will help ensure that the best sites at the best price are purchased.

# Air Rights

In order to increase opportunities for development, many communities are using the air rights of public parking lots, roadways, other public sites, and even private development. In most built-up areas very few vacant or unused sites are available for new development, and those that are tend to be quite expensive. However, sites with low-intensity land uses may offer the opportunity to build housing above the existing use.

In some places, highway departments have even begun to market such sites because new federal highway regulations allow them to benefit financially from air rights leases. More common in the Bay Area are smaller air rights projects over existing parking lots or new public garages.

While construction of air rights housing can be expensive, difficult to design, and subject to unusual constraints, it can create new housing opportunities literally out of thin air.

## BENEFITS

- ✓ Built-out communities lacking vacant residential sites can create new housing opportunities.
- ✓ Air rights projects have no land costs, and because land is a major cost of housing development (representing one-quarter to one-third of total development costs in many cases), air rights projects can be significantly cheaper. However, extra design and construction costs may reduce some of the cost savings.
- ✓ Because many potential air right sites are publicly owned, the community can control the type and affordability of the housing built.
- ✓ Municipal parking lots or retail developments can provide upfront or on-going subsidies for the development of low-income housing in the air rights above.

## Case Studies

**San Francisco** has made frequent use of air rights development by using city-owned parking lots, space over the entrance to a tunnel, and the air rights over a new paint store. Phase II of Dunleavy Plaza, 49 units of lower-income family apartments in the Mission District, was built above a city-owned parking structure with subsidized financing from the State of California. Lady Shaw Senior Center is being built above the Broadway tunnel in Chinatown. The senior housing is funded with a HUD section 202 loan and accompanying Section 8 subsidies. Coleridge Park Homes in Bernal Heights consists of 49 units of lower-income senior housing and a public park above a newly built paint store and parking structure. Funds were secured from the city's revenues from fees on office development and several million dollars of tax credit equity. **Contact:** Barbara Smith, Mayor's Office of Housing, (415) 558-2881.



## Case Studies

**San Mateo.** The City, using air rights over a city-owned parking lot, a HUD Section 202 guaranteed loan and its accompanying Section 8 assistance, has made possible Flores Gardens Apartments which offers 71 very low-income senior rental units in downtown San Mateo. **Contact:** Ralph Petty, Housing Division, City of San Mateo, (415) 377-3390.

**Palo Alto** encourages private proposals for the lease or purchase of air rights over selected city parking lots in commercial areas to not only provide new housing but also additional parking. One such project, Abitare, contains 44 condominium units, nine of which were sold for below market rate in accordance with city requirements. The developer purchased a vacant lot in the downtown as well as the air rights over an adjacent public parking lot. In exchange for the air rights, the developer provided additional public parking and constructed the BMR units. The public parking, from which the city receives revenue for day-time use, is available at night to residents. Commercial uses are also included on-site. **Contact:** Bill Fellman, Real Property Manager, Palo Alto, (415) 329-2472.

✓ Parking spaces can be shared between day-time municipal and commercial uses and night-time residential uses. This can reduce the overall cost of development.

## GETTING STARTED

✓ As a first step, a local government can identify sites where air rights development would be feasible, such as public and parking private lots, roadways, or other low-intensity sites. The city or county can then adopt air rights policies in its housing element, offer publicly owned sites for development of affordable housing, and make land use and zoning changes to facilitate the use of private air rights for housing.

## KEYS TO SUCCESS

✓ A creative approach to identifying potential sites can reveal sites that developers have overlooked in the past. A survey of both public and private parking lots may reveal many opportunities.

✓ A willingness to be creative with land use controls and development standards may be necessary to accommodate this unique type of housing.

✓ The involvement of an accomplished architect and a competent developer can be vital given the design complexities that may arise in air rights development.

✓ Location of the site can be important. Proximity to business districts enhances the marketability of parking and commercial uses as well as making the housing closer to jobs, shops, services and transit.



# New Construction

**B**ecause the Bay Area is so short of affordable housing, many communities seek to use their resources to build new housing for those in need. There are numerous examples of new low-cost housing developments which have been designed and constructed to fit in well with their surroundings. And the approaches taken by communities to build affordable housing are as unique and diverse as the neighborhoods in the Bay Area.

In the past, a significant amount of federal and state funding was available for the construction of new affordable housing. Despite reductions, subsidies still exist. In particular, the State of California has available \$200 million in funds to finance the development of low-income rental housing statewide. The federal government continues to support housing for the elderly and disabled, and many local governments have used federal Community Development Block Grant funds for new housing. As well, a variety of locally-generated subsidies can be employed to support affordable housing development.

Building new housing is an expensive undertaking, and most of the affordable housing developments in recent years used several subsidy sources. Through the artful combination of a low-cost site, below market-rate financing, land use bonuses and concessions, local subsidies, and federal and state funds, along with good design and community support, cities and counties have supported the construction of thousands of affordable housing units in recent years.



## Case Study

**San Francisco**, using mortgage revenue bonds and CDBG funds, financed the Holloway Terrace project, consisting of 42 townhouses built on the site of the old Farragut School in the Ingleside neighborhood. With city financing, the project is affordable to families with incomes as low as 80 percent of the Bay Area median. After the City rezoned the old site—not without substantial public opposition—the project's non-profit developers worked with neighborhood groups early in the planning process to avoid further delays. The result: near unanimous community support for new affordable housing.

**Contact:** Benjamin Golvin, BRIDGE, (415) 989-1111.



## Case Study

The Sonoma County Housing Authority, using CDBG funds, purchased and prepared the land for the site of West Avenue Apartments, 40 units developed by a local non-profit with subsidized financing from the California Housing Finance Agency through its state/local program and the California Department of Housing and Community Development through its Rental Housing Construction Program. Twelve of the units are affordable to very-low income households and 28 are for low-income households. Six of the apartments have three bedrooms. **Contact:** Janie Walsh, Sonoma County Housing Authority, (707) 527-3187, or John Lowry, Burbank Housing, (707) 526-9782.

## FUNDING SOURCES

**U.S. Department of Housing and Urban Development (HUD)**—Section 202 makes direct, long-term, low-interest loans to non-profit sponsors for the development of housing for low-income seniors and the disabled. Section 8 funds are provided to further subsidize the project.

**California Department of Housing and Community Development (HCD)** is funding the following programs with \$215 million in bonds sold pursuant to Proposition 84 passed in November of 1988:

**The Rental Housing Construction Program (RHCP)** provides long-term, 3% loans for building affordable rental housing. Housing authorities, local governments, non-profit developers, and private builders are eligible. At least 30% of the units must be assisted units. Of the assisted units, at least two-thirds must be affordable to those earning no more than 50% of the area median income and up to one-third must be affordable to persons earning no more than 80% of the area median income. The assisted units must be affordable for at least 40 years.

**The Family Housing Demonstration Program** will operate and provide financing similar to RHCP, but will be directed at those projects which include special or innovative features for families, such as congregate housing and community housing developments with some shared facilities, child care space, and job training or other economic assistance programs.

## BENEFITS

- ✓ The construction of new housing adds to the overall supply of housing in the Bay Area.
- ✓ Newly built affordable housing can usually best meet the needs of housing consumers. Safer and more comfortable residences, large enough units, sufficient parking, greater energy efficiency, better access for the elderly and disabled, the inclusion of child care and services, and many other advantages can all be achieved with new construction.
- ✓ Character, physical appearance, and integration with the neighborhood can all be achieved through the design of new housing.
- ✓ As a first project, the development of state- or federal-funded housing can offer a community the chance to complete a successful affordable housing endeavor, establish a working relationship with a non-profit developer and agency officials, and gain local expertise in housing development.

## GETTING STARTED

- ✓ The location of a potential site and/or the identification of a project sponsor are the best first steps a local government can take.
- ✓ Contact with state and federal officials to learn about their programs and to be aware of funding is a critical step.
- ✓ A housing element in compliance with state law will not only improve the likelihood of funding, but will help accomplish the other first steps of the process.

## KEYS TO SUCCESS



## Case Study

**Novato.** City incentives and major contributions from the Rotary Club enabled two senior residential projects for 100 per cent low and moderate income households to be built in Novato. In the mid-seventies, Nova-Ro I created 30 1-bedroom units in a multi-family zoning district benefiting from a density bonus and fee waivers from the City. In 1985, in Nova-Ro II, another 56 1-bedroom units were constructed. Again, the City gave a density bonus and fee waivers and also CDBG funds for land acquisition. This time, the site was in a single family zoning district and required a general plan amendment. The Rotary Club acted as developer and contractor for these projects, getting professional contributions at or below cost. It continues as administrator to monitor the eligibility of residents. **Contact:** Mark Westphall, Planning Department, (415) 897-4341.





## Case Study

**Livermore.** Two non-profit housing developers and the City of Livermore put together a 167-unit senior housing project (Richards Manor) by combining many strategies. Ten acres were donated to the city for senior housing. The land was zoned for 8 units/acre. Livermore's growth control ordinance limits the number of building permits which can be issued each year but, at the time this project was approved, low income housing projects were specifically exempted. The project was given a 100% density bonus (from 80 units to 167 units) under incentives available for senior housing. The project is financed by tax exempt bonds issued by the Livermore Housing Authority. By means of a land lease arrangement with a for-profit developer, 40% of the units are set aside for low-income households. The non-profit developer will maintain long-term ownership of the land. Low income projects are no longer exempt, however, and at the present time staff and a growth review committee evaluate criteria for the selection of building permits. **Contact:** David Clemens, Planning Department, (415) 449-4003.

- ✓ Having sites available, either through identification of surplus property or land acquisition, will enable a local government to best influence the development of new housing.
- ✓ Establishing a good relationship with a project sponsor is essential to effectively combine the necessary financial, land use, and political resources necessary for new construction. With some sponsors, a local government may need to provide an active oversight role.
- ✓ A variety of resources are usually necessary to make newly built housing affordable.
- ✓ Understanding of, and patience with, the outside agencies and programs providing the subsidies will enable a community to take best advantage of these funds. Some program requirements may test the administrative, design, and political abilities of local officials.
- ✓ Local financial assistance or land use concessions can greatly aid in the construction of affordable housing, even if the site is not publicly controlled.
- ✓ Expertise in real estate finance, architectural design, construction management, and the other steps of the development process will greatly aid a city in developing new housing. Assistance can be found by hiring staff (permanently or part-time), cooperating with other governmental agencies, and/or consulting with non-profits or local development professionals.
- ✓ The involvement of neighborhood groups in the actual design of the new housing can help reduce opposition to new construction.

# Rehabilitation

**I**n communities with a large stock of older housing, rehabilitation can be the most cost-effective method to provide affordable housing. Rather than spending precious housing dollars on new construction, subsidies can be directed towards increasing the affordability of existing housing and/or improving the habitability of substandard housing.

Unlike funding for new construction, the state and federal government have made available significant resources for the rehabilitation of both renter- and owner-occupied housing. Cities and counties, housing authorities, and/or non-profits working with local governments can use Community Development Block Grants and several other federal entitlement and competitive funding sources for local rehabilitation programs and projects. In addition, the state, because of the passage of two major bond measures, can assist in local rehabilitation and acquisition efforts. Finally, federal and state low-income tax credits can be used for purchase and/or rehabilitation of existing housing.

## FUNDING SOURCES

HUD's **Rental Rehabilitation Program** provides entitlement grants to local governments for bringing low-income rental housing up to code and making minor improvements. The program is flexible; cities or counties can make loans, deferred loans, or grants to the owners of single- and multi-family housing that have rents affordable to low-income tenants. Non-entitlement areas, i.e. smaller and/or rural communities, can apply to the county or state for these funds.



## Case Study

**Contra Costa County's** rehabilitation program is administered by the Housing Authority for selected portions of the unincorporated county and certain cities. Low interest (3%) loans are provided for the purpose of making essential repairs and improvements, and are amortized over 15 years. The program is funded by CDBG funds and HUD's Rental Rehabilitation Program. Market rents must be below Section 8 Fair Market Rents after rehab and at least 70% of the units must be occupied by lower income families. **Contact:** Robert McEwan, Housing Authority of Contra Costa County, (415) 372-7391.





## Case Study

**Santa Rosa.** In addition to a rental rehab program, the Santa Rosa Housing Authority administers loan programs for owner-occupied housing. Under the Housing Emergency Loan Program (HELP), no- and low-interest loans of up to \$8,000 are available to low income households for property improvement. Senior borrowers may defer payment until they move or transfer title. Under the Housing Rehabilitation and Conservation Program (HRCP), loans of up to \$25,000 are made to low-income households. In eight target areas loans are available to households with income up to 120% of the median. Interest rates range from 3% to 9% and payments may be amortized or deferred for 15 years. **Contact:** Gale Brownell, Santa Rosa Housing Authority, (707) 576-5465.

HUD's **Section 312** allocates 20-year, three percent rehabilitation loans directly to local governments. Cities or counties must apply for these funds, which can be used by both low-income homeowners and owners of low-income rental housing. Most funds have been used to assist single-family homeowners improve their property.

**The California Department of Housing and Community Development (HCD)** now provides rehabilitation assistance, using \$150 million in proceeds from a bond measure passed in 1988. The **California Housing Rehabilitation Program (CHRP)** provides long-term, three percent loans for substantial rehabilitation and acquisition of rental housing as well as the rehabilitation of ownership housing for lower-income households. Local governments and their housing authorities, non-profits, redevelopment agencies, and private entities are all eligible applicants.

**State and Federal Low-Income Housing and Preservation Tax Credits** can also be used for rehabilitation, though local governments play a less direct role in assisting such projects. Cities and counties can encourage the use of both by identifying properties and neighborhoods in need of rehabilitation and/or of historical value and by providing local financial assistance.

## BENEFITS

✓ Publicly-assisted rehabilitation of affordable housing can improve the living conditions of lower-income residents and can improve the appearance of whole neighborhoods. Buying, or otherwise preserving, existing housing can provide more affordability per dollar than new construction. Finally, the rehabilitation of housing which has historical value is an added bonus for the entire community.



✓ Because of the variety and local flexibility in the state and federal rehab programs, a community can exercise a great deal of control in the design, targeting, and operation of a rehabilitation program. However, management of rehab activities can be staff intensive and local government need to have either staff ability or a good relationship with another public or non-profit entity to execute a rehab program.

## GETTING STARTED

✓ A community needs to determine whether rehabilitation is the best strategy for the expenditure of its funds or not. In many newer suburban communities, a small stock of substandard housing may not warrant the administrative energy needed to start and manage a rehab program.

✓ A first step should be a neighborhood and property level survey of housing conditions to identify those areas which could be best served by a rehab program. Federal programs either require or work better when specific target neighborhoods are established. The state programs depend on the identification of specific projects.

## KEYS TO SUCCESS

✓ The basis of a successful program is a good statistical and community assessment of local rehabilitation needs. With this the most promising projects and programs can be identified.

✓ Public input and support, especially from the affected neighborhoods, is a necessity. Publicizing local programs to homeowners, rental property owners, community groups, and potential project participants will expand the use of rehab programs.

## Case Study

**City of San Mateo** administers the federal Rental Rehabilitation Program which offers rental property owners the opportunity to rehabilitate substandard units with below-market interest rate financing. The city combines the rehab loans with the use of Section 8 Certificates issued to the tenant. This ensures that the program serves lower-income households. Property owners may borrow up to \$5,000/unit but the loan must be matched with private funds; the apartment or renter-occupied single-family home must be located in San Mateo's Low - Moderate Income Target Area. **Contact:** Ralph Petty, Community Development Department, City of San Mateo, (415) 377-3363.

- ✓ Complementary land use and zoning standards will reinforce financial assistance programs and projects. Limiting the development capacity of housing preservation areas makes rehabilitation more economically attractive to landowners who may otherwise seek the demolition of existing affordable housing.
- ✓ Redevelopment powers can be used to acquire properties, direct new development, and raise local funds for rehabilitation.
- ✓ Local contributions to federal and state programs will improve the likelihood of receiving of grants and will enhance their success. The combination of state and federal rehab programs with local CDBG, redevelopment, or other local funds may be financially necessary to make some rehab programs and projects feasible.
- ✓ State and federal programs require some proactive local action, whether in project assistance, neighborhood identification, or program administration. State funding is given to rehab projects which best meet several criteria, including local involvement. An effective housing element and a comprehensive local rehabilitation program will assure that state or federal funds are well spent.
- ✓ Staffing is critical for rehab programs which seek to work with existing homeowners and small property owners. Some programs require both a fair amount of staff time and a good deal of staff expertise to evaluate potential rehab projects and funding needs. Smaller cities may be able to cooperate with the county, neighboring cities, or non-profits to carry out rehab programs.

# Rental Payment Assistance

Several local governments help qualified individuals or families locate and afford market-rate rental housing. For those having difficulty securing an apartment, loans or grants for all or a portion of the first and last month rent as well as the security deposit can be made. To improve the affordability of housing, some communities provide limited monthly subsidies to low-income households.

HUD's Section 8 Rental Assistance Program makes vouchers available to local housing authorities on an entitlement basis. Section 8 certificates provide the difference between one-third of a household's income and the monthly cost of an apartment up to a certain standard price (set regionally and according to number of bedrooms).

In markets where there is a shortage of lower-cost rental units, rental payment programs will be either ineffectual or very expensive.

## BENEFITS

- ✓ Direct financial assistance can make existing housing more affordable for low-income tenants.
- ✓ Loans, grants, or payment guarantees can make it possible for homeless or near-homeless families to pay the move-in costs of rental housing.
- ✓ Direct assistance programs can be used in conjunction with rehabilitation programs to provide the subsidies necessary to improve the quality of housing for lower-income families and individuals.

## Case Studies

**ECHO** (Eden Council for Hope and Opportunity) administers several programs to assist renters and homeowners, primarily in Alameda County. Their programs include landlord-tenant counseling, discrimination complaints, a senior shared-housing program, HUD mortgage default counseling, and rental assistance. ECHO also sets up move-in deposit payment plans with landlord by guaranteeing against renter default. Participating cities and the county fund programs from their CDBG monies. **Contact:** Caroline Peattie, Program Director, (415) 581-9380.

**Marin Housing (Authority).** The Rebate for Marin Renters Program provides 12-month rental subsidies for eligible low income households. It is funded by the county and cities of Marin County. All local contributions are matched 2:1 by a grant from the Marin Community Foundation. Low-income applicants must be presently renting in a participating city, a single person over 55 years of age, or handicapped, or a member of a family of two or more related persons, paying more than 30% of gross income for rent, and in possession of a signed rental contract. **Contact:** Lori McCann, Marin Housing Authority, (415) 472-4030.



**City of San Mateo.** The city has contracted with a non-profit organization for management of their first and last month rental subsidy program. This community group knows first-hand the individuals or families who need and can benefit from this assistance; they also manage a free meal program in the city, located across the street from the Armory which provides shelter for the homeless. The city provides \$30,000/year from CDBG monies to this program. The city estimates the repayment rate is about 25%. **Contact:** Ralph Petty, Community Development Department, City of San Mateo, (415) 377-3363.

**Petaluma.** The city's "In-lieu fee" provides the funding for their Renter Assistance Program which guarantees vouchers for first/last month rent, security deposit, and other fees which are provided to very low income households. Preference is given to single head-of-households with dependent children and to the elderly. Program is implemented in conjunction with a non-profit housing provider. Over 50 households have received assistance. **Contact:** Warren Salmons, Planning Department, City of Petaluma, (707) 778-4301.

## GETTING STARTED

- ✓ Cities should assess the need for assistance and the availability of appropriate market-rate housing.
- ✓ Cities may target existing funds, e.g., CDBG funds or redevelopment proceeds, to rental assistance.
- ✓ Discussion with a local housing authority, homeless shelters, and other social service providers will be useful in designing the program.

## KEYS TO SUCCESS

- ✓ The funds given to eligible applicants must be adequate for them to rent housing in the local market.
- ✓ Clear criteria for the selection of participants and an efficient, accessible administration of the program is required to direct aid to those most in need.
- ✓ Communities should use vouchers in combination with programs that build or rehabilitate additional rental units to avoid exacerbating competition for scarce units.

# Redevelopment

**S**tate law authorizes the use of redevelopment to make sites available for the construction of new housing, to provide subsidies for affordable housing, and to aid in the preservation and upgrading of residential areas. A city or county can establish one or more project areas in need of redevelopment. The increased property tax revenue resulting from new private investment in the area goes to the local redevelopment authority. These tax increment funds must be used for public improvements in the district and for affordable housing development anywhere in the locality. State law requires that at least 20% of all property tax increments in a redevelopment area be set aside to subsidize new, existing, or rehabilitated low- and moderate-income housing.

In addition to providing funds for a wide range of local housing programs, redevelopment enables a city or county to issue bonds and otherwise finance housing construction and to acquire land for new housing. Redevelopment agencies also have eminent domain powers to acquire sites for housing, both within and outside of a project area.

In the past, redevelopment led to the demolition of affordable housing and the displacement of existing residents. Now, new state laws require the replacement of all low- and moderate-income housing units removed by redevelopment, the relocation of tenants and homeowners, and public participation. At least six percent of new or rehabilitated housing in a redevelopment project must be affordable to low-income households; another nine percent must be affordable to moderate-income households.

## BENEFITS

✓ Redevelopment has created significant new housing opportunities in areas where housing was not feasible because of site limitations, ownership, or market unfeasibility. This is because redevelopment creates a potentially significant amount of locally controlled



## Case Study

**Morgan Hill** established a task force to determine spending priorities and criteria in order to most effectively use its 20 percent set-aside funds. The task force included representatives from finance, real estate, law, property development and non-profit organizations, members of the planning commission and citizens. The task force recommended the allocation of funds by type of housing, various local programs, and income groups to be served. In order to select projects, a point system was set with criteria judging the length of affordability, the leveraging of redevelopment funds, family size served, and neighborhood integration. Morgan Hill expects to generate approximately \$5.8 million for the period 1988-93 and to assist between 196-215 households, 70% of which will be low or very low income.  
**Contact:** Laura Gonzalez-Escoto, Housing Coordinator, (408) 779-7260.



## Case Studies

**El Cerrito**, with \$1.3 million in proceeds from redevelopment, has assisted in the development of 317 units of low- and moderate-income housing in four different projects. The city's redevelopment agency has worked with private developers, local churches, and Contra Costa County and taken advantage of donated land, city purchases of land, land trades, municipal bonds, and HUD Section 202 subsidies to assist apartment development. The new housing has helped improve an aging commercial street, provided senior housing, and has been located near BART stations and transit lines. **Contact:** Patrick O'Keeffe, Redevelopment Director (415) 236-6800.

funds for the development of affordable housing. Furthermore, redevelopment can target and assist in the provision of housing through site acquisition and assembly, financing, and property purchase and rehabilitation.

## GETTING STARTED

- ✓ Strict legal requirements govern the establishment of a redevelopment district, and much advance financial and land use planning needs to be done. Because city-sponsored redevelopment redirects some property taxes away from the county and special districts including schools, the involvement of affected entities is a necessity.
- ✓ Early public input and ongoing positive public relations can help a community avoid legal challenges, public distrust, and citizen-sponsored referenda. The involvement of pro-housing community groups can help establish the housing value of redevelopment.

## KEYS TO SUCCESS

- ✓ The amount of tax increment funds generated and their use will determine the usefulness of redevelopment as a housing program. Some agencies have directed more than the 20 percent requirement to affordable housing. Others have targeted that money to specific housing objectives.
- ✓ Include a significant amount of housing within the redevelopment plan and adopt other land use and financing programs to aid housing development.
- ✓ Redevelopment project area definition will affect the amount of funds raised, the ability to manage land use and development planning, and the degree of community and property-owner acceptance and opposition.
- ✓ The project must conform with the community's housing element and the rest of the general plan.
- ✓ Conduct the required public hearings and actively encourage public involvement during the entire redevelopment process. For more information, contact the Local Assistance and Review Section, California Dept. of Housing and Community Development, (916) 445-4728; and Redevelopment Agencies Association, (916) 448-8760.



# Local Taxes and Revenues

If a community has a great enough commitment to addressing local housing needs, it can impose or raise special taxes to create local resources for housing. Alternatively, it can redirect the revenues of existing taxes or allocate a portion of the general fund to housing assistance. New taxes and the expenditure of local revenues involves a host of fiscal, legal, and political issues which must be addressed. Because of Proposition 13 restrictions on special taxes, the enactment of a new tax requires a two-thirds vote of the public if the proceeds are to be dedicated to a particular purpose, such as affordable housing.

## BENEFITS

- ✓ The local generation of funds gives a community a powerful tool for the development of affordable housing. Local subsidies can be combined with land use concessions and state and federal funds to provide very affordable housing.
- ✓ Since funds are locally-generated, the restrictions on their use are minimal and a community can pursue those objectives or programs most suited to its needs.

## GETTING STARTED

- ✓ The first step is to identify the variety of possible revenue sources. Several options are listed in the columns.
- ✓ For each potential source, investigate legal requirements, evaluate the potential funds that would be generated and the ease of collection, gauge political support and opposition, and assess negative impacts.

## Tax Options

**Property taxes** to repay general obligation bonds over a 20 to 30 year period can be used to finance new housing. A two-thirds vote is required to raise property taxes for general obligation bonds.

**Transfer taxes** on the sale of property cannot be levied for special purposes under Proposition 13, but in certain cases can be used to add to the general fund. As well, new or existing transfer tax proceeds can sometimes be redirected to housing-related uses.

**Special taxes** such as parcel taxes, hotel taxes, or a variety of business taxes can be lucrative, but if used specifically for housing a two-thirds vote is necessary.

**Gann limit surpluses** can be a resource for affordable housing and require only a majority vote of the electorate. Under Proposition 4, if revenues of a community exceed certain limits, the proceeds must be returned to taxpayers, or the electorate can choose to direct the surplus to other specific, one-time purposes.

**Dedication of revenues**, such as the interest from municipal accounts, residuals from bond repayments, or the proceeds from the sale of public property can be used for housing. Some communities have used such dedicated revenues to support a housing trust fund, a flexible account which can be a source of grants or loans for the development of affordable housing.

**General fund allocations** can be made to support affordable housing activities. This can occur on a one-time, project or program specific basis or as part of annual budgeting.

## KEYS TO SUCCESS

- ✓ All possible local sources should be reviewed on the basis of amount of funds generated, ease of collection, difficulty of imposing, legal requirements, political support and opposition, and possible negative impacts.
- ✓ A community should determine how much local funding it needs or can use, establish clear priorities for the use of funds, and have programs or projects in place which can use the money.
- ✓ When generating new local revenues, thought should be given to coordinating local funds with land use programs and other funding sources.
- ✓ Broad community support is usually necessary to secure voter approval of any new taxes. If a two-thirds vote is required, significant opposition may likely defeat the proposal. Gaining political endorsements and informing the public of the need for housing will help build community support.



# Fees and Fee Waivers

In the search for funding for affordable housing development and preservation, some communities have chosen to place fees on new commercial and/or residential development. In some jurisdictions with inclusionary zoning, developers are given the option to pay fees in lieu of providing a required number of below market-rate units. Although fees will effect the land market and may impact the type and cost of housing or commercial uses built, they do generate a local source of funds for the development of affordable housing.

The existing high level of fees levied on new residential development (for local parks and open space acquisition, traffic mitigation, and many other purposes) encourages the market to provide higher cost homes. To offset some of these negative impacts and to entice the development of lower-cost housing local governments can reduce or waive them in exchange for the provision of affordable housing.

## BENEFITS

- ✓ Fees for affordable housing give a community local funds to direct to local programs and projects. The funds are not dependent on annual budget approvals or a public vote, but will vary directly with the amount of development.
- ✓ Payment of in-lieu fees allows developers to contribute to other housing projects rather than provide the housing directly, but this may deter inclusionary housing programs from achieving their goals.
- ✓ Fee waivers can help reduce the upfront costs of housing development and can be used in conjunction with other resources to support the development of affordable housing.

## Case Study

**Fremont** has initiated a fee waiver program which, used in conjunction with a density bonus program, City bond financing, and HUD Section 202 grants, has resulted in the construction of 724 new housing units since 1984. In addition to its density bonus, the city waives amenities fees averaging \$9,300 per unit on units affordable to low- and moderate-income households, defined by the City as renting for no more than 30 percent of 60 percent of the Area Median Income (AMI). The majority of tenants earn less than 50 percent of AMI; the City has accomplished such a high level of low-income renters by requiring developers to consider applicants' rent payment record over the previous year instead of a certain proportion of income for rent in selecting below-market-rate tenants. The city also requires that priority be given to low-income tenants. **Contact:** Carol Lamont, Housing Director, (415) 745-2836.





## Case Study

**Petaluma** has a general plan policy which require developers of five or more residential units to provide at least ten percent of their units at affordable prices to low- or moderate-income households (check on this). Developers have the option of donating land or paying a significant fee in-lieu of providing actual dwellings within their project. This in-lieu fee program has generated sufficient funds to subsidize several affordable housing projects and local housing programs. The city has flexibility in expenditure of fee revenues which allows it to use property and funds in the most efficient and productive manner, alone or with other sources. City mails out an RFP each year to developers of very low-, low- and moderate- income housing, soliciting their proposals. City selects projects which qualify for assistance. **Contact:** Warren Salmons, Community Development and Planning Director, City of Petaluma Planning Department, (707) 778-4301.

## GETTING STARTED

- ✓ Determining the amount, applicability, and impacts of the fee are the biggest challenge. Because state legislation (AB 1600) requires jurisdictions to show the relationship between fees and their impact on proposed development, the imposition of a fee should be done as part of a comprehensive housing program. A community should have a clear idea of how much funding is needed, how the funds are to be used, and how they supplement other programs.
- ✓ To use fee waivers to encourage the development of affordable housing, a community needs to review all the fees currently levied and determine which can and should be waived. The largest fees over which a city or county has control will be the best candidates for fee waiver programs.

## KEYS TO SUCCESS

- ✓ Fees must be reasonable and related to the impacts of new construction. Early contact and cooperation with the development community will ease the acceptance of new fees.
- ✓ A clear, yet flexible plan for the expenditure of funds generated will ensure the usefulness of the fees. If fees are part of an overall housing program they will be more defensible.
- ✓ To encourage the use of fee waivers, an adopted policy stating a community's willingness and procedures for waiving fees will encourage developers to seek such concessions. This provides the community with an opportunity to encourage the inclusion of affordable housing in new housing projects.

# Community Development Block Grants

**C**ommunity Development Block Grant funds provide flexible federal dollars to local communities for use in the development of affordable housing or to undertake other community development endeavors. In recent years, block grants have been used to subsidize individual projects and operate local housing programs. These entitlement grants are allocated by HUD to cities with a population of 50,000 or more. Smaller cities can usually take advantage of county administered CDBG funds. The significant requirement for use of the funds is that at least 51% of the funds benefit persons of low- and moderate-income.

CDBG funds may be used for a variety of projects; HUD's *Guide to CDBG Eligible Activities* provides a comprehensive list of allowed activities. HUD suggests a few uses in particular: activities aimed at reducing costs for private development, e.g., site acquisition, improvement, and payment of soft costs; public improvements to facilitate private development; housing acquisition and rehabilitation through loans, grants, and loan guarantees; direct payment of rent or mortgage; housing counseling; and fair housing activities. Only in specific cases is new housing construction eligible for CDBG funds.

## BENEFITS

- ✓ Local jurisdictions use CDBG funds for a variety of housing efforts. New housing and major rehabilitation have been funded on a case-by-case basis, ongoing housing improvement programs have been funded, land has been purchased for future development, short-and long-term loans have been granted, counseling and referral programs have been run to help persons with special needs find housing, and many other objectives have been achieved with CDBG funds.
- ✓ CDBG funds have frequently been used in combination with other subsidy sources or to provide predevelopment funding to initiate a housing development.

## Case Study

**Hayward** uses its CDBG funds to support a local non-profit developer. In addition to dedicating a large portion of its CDBG funds to a variety of local housing projects, the City has contracted annually since 1979 to provide 35 to 40 percent of its CDBG funds to help cover Eden Housing's administrative and predevelopment costs.

**Contact:** Sylvia Ehrenthal, Director of Housing and Community Development, (415) 581-2345.





## Case Study

**Marin County** divides its CDBG funds by region. After administrative expenses, the funds are divided so that 40 percent goes to housing on a county-wide basis, and the remaining 60 percent goes to local planning areas for housing, community facility, and public service projects. At least 30 percent of each planning area's funds must be used for housing. In all, around 60 percent of county CDBG funds are directed toward affordable housing projects. Marin County's CDBG administrators also provide ongoing technical assistance and encouragement to project sponsors. **Contact:** Roy Bateman, Community Development Coordinator, (415) 499-6268.

**Sonoma County** CDBG policies require that at least 50 percent of funds must be used for housing. Of these funds, as per federal regulations, at least 60 percent must be used to benefit low- and moderate-income households. The county participates with both profit and non-profit organizations, and has cooperative agreements with seven city governments. Cities submit periodic applications for CDBG money; the county's housing policy helps to prioritize requests. **Contact:** Janie Walsh, Director, Community Development Commission, (707) 527-3326.

## GETTING STARTED

- ✓ To receive CDBG funds a qualifying jurisdiction must solicit citizen participation, adopt a HUD-approved Housing Assistance Plan (HAP), and comply with the Civil Rights Act.
- ✓ Cities should determine the local priority for housing versus other community development objectives. With many demands for their use, determining how and where to target CDBG funds can be a planning and political challenge.

## KEYS TO SUCCESS

- ✓ CDBG funds for housing are most successfully used in communities which have clearly determined need priorities and have allocated sufficient funds to meet them.
- ✓ CDBG funds should be part of an overall housing program which employs other local tools and leverages additional resources.
- ✓ A thorough Housing Assistance Plan which complements the local housing element will assist a community in allocating and applying CDBG funds.



# Municipal Bonds

Cities and counties, as well as housing authorities and redevelopment agencies, can play a direct role in the construction of housing by financing private or non-profit developers in the construction of rental housing. As well, localities can issue mortgage revenue bonds to assist first-time homebuyers in the purchase of either new or existing housing. The bonds will be paid off with revenues from the new housing.

Although taxable bonds can be issued, tax-exempt financing is usually favored because the interest rates on such bonds are lower than conventional mortgage rates. Another local option are municipal bonds for use by non-profit developers (501(c)3 bonds) which are less restricted than bonds used for private purposes.

Federal and state restrictions require that local bonds be used to increase affordable housing opportunities with price and income guidelines for first-time homebuyers or, for rental housing, meet requirements that at least 10% of the total units be affordable to, and occupied by, very low-income households (less than 50% of median income) and an additional 10% of the apartments be for low-income households (less than 80% of median income).

The California Housing Finance Agency (CHFA) provides bond financing for first-time home buyers and for the development of rental housing.

For single-family housing, both resale and new construction financing is available for first-time homebuyers through a variety of programs. CHFA also provides permanent financing for new apartments, and subsidizes certain projects through its Housing Assistance Trust, a flexible source of state funds which can offer deferred loans to cover negative cash flows in projects where at least half of the units are for low-income households. For more information contact Dick Phinney at CHFA (916/327-5175).

## BENEFITS

- ✓ Municipal bonds help first-time homebuyers

## Case Study

**Contra Costa County.** Since 1982, with exception of one year, the county has applied for and received tax exempt bonds for single family housing development or purchase in all 18 cities within the county. The county invites developers to participate and structures the bond deal for the application. In June 1989, \$45 million was awarded to the county for new construction. This bond issuance provides 8.3% fixed rate financing for first time homebuyers. There are sales price restrictions and income limits. In June 1989, \$152,000 was the maximum sales price and \$101,250 was the maximum FHA loan limit. These loans are available for detached homes, townhouses and condominiums. The developers secure an allocation to a specific project, which can provide 30-year permanent financing for the homebuyer at a very good rate. The county has found that 60% of these funds reach low income households. **Contact:** Jim Kennedy, Community Development, (415) 646-2035.



## Case Study

**Fremont** has issued \$152 million in tax-exempt bonds to finance the construction of almost 2,400 new apartments since 1984. Besides adding to the overall stock of rental housing, the ten city-financed projects contained more than 500 affordable units for lower income households. Many of these dispersed, integrated apartments surpassed the bond affordability requirements of the time by making over half of the set-aside units available to very low-income families. This additional level of affordability was possible because of density bonuses and fee waivers granted by the city. Furthermore, affordability restrictions were put in place for 20 or 30 years, instead of the required 10 or 15. One bond-financed project, Woodcreek Apartments, is notable for setting aside 60 out of 96 units for lower-income households. Built by a private developer, the city provided the land at no cost, waived a significant amount in fees, and granted the project a density bonus. **Contact:** Carol Lamont, Fremont Housing Director, (415) 745-2836.

obtain mortgages at below market interest rates and they can help finance new apartments construction. Importantly, they allow a local government to become directly involved in the development process. By combining bond financing with land use changes, fee waivers, and other subsidies, a community can gain even greater affordability out of a project.

- ✓ The housing built with bonds usually has a mix of market rate and affordable units thus integrating low- and moderate-income families within the community, rather than segregating them in separate projects.

## GETTING STARTED

- ✓ A city or county can either approach a developer with the concept, offer bond financing when a specific project has been proposed, or respond to requests for financing. The sponsoring government entity, usually in cooperation with a private and/or non-profit developer, puts together a specific proposal for city council or board approval. The California Debt Limit Allocation Committee, in a competitive process, then allocates bonding authority to the local government. Land use approval can proceed, follow, or occur simultaneously with the local issuance of bonds.

## KEYS TO SUCCESS

- ✓ The lower interest rate on tax-exempt bonds provides only a shallow subsidy, and for the benefit to be maximized other assistance, whether in terms of funding or land use approvals, should be applied. This requires a local government to have the expertise to negotiate with a private or non-profit developer over to how best improve the affordability of the housing.
- ✓ A clear and legal agreement about the amount, degree, and length of time of below market-rate units must be set, monitored and enforced.
- ✓ Issuing bonds is both complex and for small projects the administrative costs can be quite high. The involvement of local finance officers and bond counsels is necessary, and joint bonds with another city or county can help spread the cost of issuance.



# Mortgage Credit Certificates

**T**his federally created, but locally run, program assists first-time homebuyers in qualifying for mortgages. The IRS allows eligible homebuyers with a Mortgage Credit Certificate (MCC) to take 20% of their annual mortgage interest as a dollar-for-dollar tax credit against their federal personal income tax. This enables first-time buyers to qualify for a larger mortgage than otherwise possible, and thus can bring homeownership within their reach.

Certificates are issued by a local agency, frequently a housing authority, to qualified low- or moderate-income, first-time homebuyers. Certain price limits and resale requirements apply. Authority for the issuance of MCCs must be obtained from the California Debt Advisory Commission (CDAC) in Sacramento, at (916) 324-2585. Use of MCCs may involve forfeiting some mortgage revenue bond funding in cities that use such bonding.

## BENEFITS

- ✓ MCCs greatly increase ownership opportunities for first-time buyers. Since they are assigned to a potential purchaser rather than a specific development, the consumer has a wider variety of housing options including not only new single-family homes, but also more affordable existing housing, condominiums, and townhomes.
- ✓ With the involvement of real estate agents and private lenders, the local government has much less administrative burdens than with other housing programs.

## Case Studies

**Marin County.** In Marin County, the MCC program is administered by Marin Housing Authority. Applicants must have executed purchase agreements and apply in conjunction with their mortgage loan application through a participating lender. Real estate agents familiar with the MCC program will match eligible houses (\$175,950 - \$183,500) to eligible buyers. The lender can use the MCC tax credit to help qualify the buyer for the loan. The lender qualifies the applicant, and forwards an MCC reservation to Marin Housing, which issues the MCC if available. The MCC program is sponsored jointly by the Marin County Board of Realtors and Marin Housing (Authority). **Contact:** Lori McCann, Marin Housing, (415) 472-4030.

**San Mateo.** The city is using MCCs on a project specific basis to assist first-time buyers purchase new condominiums. Gateway Commons, a 96 unit ownership project in the city's downtown, is being developed by a regional non-profit on a 2.4 acre site assembled by the city's redevelopment agency and contributed at no cost. The MCCs are an integral financing tool to make the new housing affordable to moderate-income buyers. **Contact:** Ralph Petty, Housing Division, City of San Mateo (415) 377-3390.





## Case Study

**Santa Clara County** established an MCC program in 1987 that has assisted almost 2,300 low- and moderate-income first time homeowners to qualify for a mortgage. The County's bond counsel runs the program for eight cities in the county, thus making it easier for real estate agents and lenders to make use of MCCs. And because of the county-wide approach, first time buyers can shop in several cities for a home. Most of the homes purchased have been existing condominiums. **Contact:** the county, (408) 299-4711, or the bond coordinator, Naphtali Knox, (415) 321-7874.

## GETTING STARTED

- ✓ The first step is to ascertain the feasibility of MCCs through an understanding of local home prices and federally-determined price limits.
- ✓ Since real estate agents and lenders will implement the program, their early and continued involvement will greatly enhance the usability of MCCs.
- ✓ MCCs are administered by a local agency (frequently by a county-wide entity), which must apply to CDLAC for an allocation which may reduce the ability of a local government to issue bonds for new construction. A jurisdiction needs to have clear priorities for the use of its bonding authority.

## KEYS TO SUCCESS

- ✓ The support and participation of local real estate agents and lenders is the key determinant of success in this program. In addition, the involvement of county government may ease the administrative costs and increase the visibility of MCCs to prospective buyers.
- ✓ Because MCCs must be used within the jurisdiction of issue, county-wide or multi-jurisdictional programs will be most effective.
- ✓ Communities can establish their own criteria for selecting applicants.
- ✓ Publicity of the program and advising of applicants are also important and may be well handled by the private sector.

# Tax Credits for Low-Income Housing

**B**oth the federal and state provide tax credits to the private sector for the construction or acquisition and rehabilitation of very affordable rental housing. Since their inception three years ago, tax credits have been used to fund several very affordable housing developments in the Bay Area. While the utilization of the tax credits depend primarily on the project's developer, local governments can play a necessary role in providing the additional subsidies usually required to make tax credits work. Both the federal and state tax credit programs are administered by the California Mortgage Bond and Tax Credit Allocation Commission which allocates the available credits to projects statewide.

## BENEFITS

✓ In the current era of limited state and federal subsidies for housing, the tax credits are one of the few remaining funding sources of any significance. To be eligible for a tax credit, 20% of the units must rent to very low income households earning less than 50% of area median incomes, or 40% of the units must rent for incomes under 60% of the median. Tax credits can be used by non-profit developers and/or for-profit investors to build new apartments, buy and rehabilitate existing housing, or preserve existing subsidized housing through acquisition and/or refinancing.

✓ Tax credits have made possible a number of very affordable housing projects in the Bay Area. They have given non-profit developers a useful tool and the combination of the tax credit and the opportunity to invest in lower-income housing has attracted a number of investors. Developers can sell credits directly to corporations and private investors or receive the equity from one of a number of investment entities now making tax credits available. However, to be successful, tax credit projects usually require an additional subsidy which can include no- or low-cost land, local government contributions, or density bonuses and other concessions.

## Case Study

**South San Francisco** worked with a regional non-profit developer and a private builder to make possible Magnolia Plaza, a 125 unit senior rental project on a former school site. Surplus land provided the site; equity in the project came from \$1.7 million worth of tax credit investment from a Bay Area corporation; the strength of the development team and the commitment of a bank secured financing at favorable terms; and local redevelopment proceeds and land use and fee concessions provided the subsidies necessary to make the project feasible. Sixty-two of the units rent for below market rates, and the project contains two large community facilities. **Contact:** Jean Smith at (415) 877-8535 or Art Sullivan at BRIDGE Housing, (415) 989-1111.



## Case Studies

**Hayward** purchased and rezoned commercial land and granted a density bonus to make possible Huntwood Commons, a 40 unit low-income family apartment with one, two, and three bedroom units. The project was developed by a local non-profit that Hayward supports with annual CDBG contributions to its operating budget. The non-profit secured tax credit investment in the project, a HODAG subsidy from the federal government, and below-market rate financing to make possible a project with 20 units for very low-income families and 20 units for low-income families. **Contact:** Tim Truesdale, Eden Housing, (415) 582-1460.

**Oakland** assisted in the acquisition and rehabilitation of the Madrone Hotel, a 32-unit SRO hotel developed by a local non-profit group. All of the single rooms rents for \$185 per month. In addition to low-income housing tax credits, the project made use of historic tax credits, a federal HODAG subsidy, two deferred loans from the state, and a small grant from a bank. The city, which had identified the property for rehabilitation in a study of residency hotels, provided an important subsidy with redevelopment proceeds. **Contact:** Jeffrey Levin at Oakland's Office of Community Development (415) 273-3502 or Tom Lauderbach at East Bay Asian Local Development Corporation, (415) 763-2970.

## GETTING STARTED

✓ The first step for a local government to encourage the local use of the tax credit is to make available opportunities for the development of affordable housing, either through site acquisition and/or cooperation with a non-profit builder or motivated developer. In addition, a local government can identify subsidy sources appropriate for use with the tax credits.

## KEYS TO SUCCESS

✓ Local assistance in the form of no- or low-cost land, subsidies, and/or development concessions are necessary for the use of the tax credit to be successful.

✓ A local government needs to have a good working relationship with developers of low-income housing and the ability and willingness to negotiate with them over the provision of local assistance.

✓ Tax credit-assisted housing depends on site availability and/or the identification of property for either new development, rehabilitation, or acquisition.



# Private Financing

In recent years major financial institutions have become involved in assisting in the development of low- and moderate-income housing. By making construction and/or permanent loans at favorable rates, banks and savings and loans have aided many affordable housing developments. Local governments can help local non-profits access these resources by leveraging public subsidies with private financing.

The **Community Reinvestment Act (CRA)** directs the Department of the Treasury, the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board to encourage and assist the institutions they regulate to meet the credit needs of their communities. These agencies must assess the records of their member institutions when evaluating applications for a charter, deposit insurance, branch relocation, mergers, or other regulated transactions. As a result of the CRA, many major financial institutions have elected to actively participate in funding low- and moderate- income housing projects developed by non-profit corporations.

**Savings Associations Mortgage Company (SAMCO)** is a statewide organization supported by stockholder savings institutions to provide financing for affordable housing projects. SAMCO has worked with non-profit developers to finance publicly-assisted housing projects throughout the Bay Area in which at least 51% of the units are affordable to low-income households. For information, call (408) 985-8110.

**California Community Reinvestment Corporation (CCRC)** was formed recently to pool the resources of the state's banks to assist in financing affordable housing. CCRC is sponsored by the Federal Reserve Bank of San Francisco and the San Francisco Development Fund. CCRC plans to raise \$100 million from member banks for below market rate loans to low- and moderate-income housing developments. For more information contact Dan Lopez at CCRC (818) 972-2765.



## Case Study

**San Jose** assisted in the financing of 29 units of self-help housing for which SAMCO provided first mortgages. The development was sponsored by First San Jose Housing, a local non-profit. Low-income first-time buyers willing to help build their own single-family homes were also assisted by the San Jose Redevelopment Agency which provided the construction loan and second mortgage financing. **Contact:** Doris Schnider, President of SAMCO, (408) 985-8110.



## Case Study

**San Francisco** provided a city-owned site for a local non-profit's Delancey Street Triangle Project by leasing it at low cost in exchange for production of low-income housing. Bank of America made the project possible by extending a \$7 million low-interest line of credit. The project will include 64,000 square feet of commercial space and 177 residential units for recovering addicts and felons. Future residents will provide sweat equity at five percent of the cost of professionals.

**Contact:** Dr. Mimi Silbert, Delancey Street Foundation, (415) 563-5326, or Frank Cannizzaro, San Francisco Redevelopment Agency, (415) 771-8800.

## BENEFITS

✓ Since federal funds are in short supply, the combination of private financing and public subsidies can help fill the void for many successful affordable housing projects. While the permanent or short-term financing provided by a private financial institution may be critical to the success of an affordable housing project, the subsidy provided is not large. Additional subsidies are usually necessary.

## GETTING STARTED

✓ The community can identify and then encourage local financial institutions to become involved in local housing efforts.

✓ The housing element analysis of financial constraints may help to pinpoint particular financial needs within the community.

## KEYS TO SUCCESS

✓ Early, on-going, and positive cooperation with local financial institutions can help make them local partners in affordable housing development.

✓ Technical advice and expertise from community loan officers, regulatory agencies, non-profits and community groups can help fashion a good community lending program for affordable housing.

✓ Local governments can help leverage private financing by providing local resources, such as no-cost land, to a non-profit who can then access this community-directed financing and other subsidies. However, local funding usually must be subordinated to the private financing.







# Homelessness

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# Homelessness

California recently amended housing element law {65583(c)(1)} to require that all cities and counties analyze and address the special housing needs of persons and families in need of emergency shelter. The new law specifies that the local housing element of every city and county general plan quantify homeless needs and identify adequate sites for the development of emergency shelters and transitional housing to meet that need.

It is important to approach this new requirement in a way that will lead to standardized definitions and a common methodology. This will allow for meaningful comparisons and cooperation among local jurisdictions. In addition, housing policies and programs focusing on the homeless should be linked with the provision of existing or planned services.

This report sets forth an approach for addressing homelessness within the local housing element. A thorough local plan can serve as the basis for effective, on-going measures to address what has become a persistent, region-wide crisis.

## How Many Homeless Are There in the Community?

The first logical step is to determine the size of the homeless population in the community, including where homeless people live or sleep and what services are available to them. Homeless people cannot be treated as a single group; homeless people have varying needs, and planning should reflect this variety. Homeless people are individuals who lack a fixed, regular and adequate nighttime residence, or individuals whose primary nighttime residence is:

- A supervised, publicly or privately operated shelter designed to provide temporary living accommodations;
- An institution that provides a temporary residence for individuals intended to be institutionalized;

## Who are the homeless?

Consider that they may have the following characteristics:

### *Demographic*

Single men  
Single women  
Couples (no children)  
Families, including single parent  
Children within families  
Displaced youth without parents  
Seniors

### *Situational*

Short-term (immediate crisis)  
Long-term ("chronic")

### *Special Needs Characteristics*

Physically disabled  
Mentally disabled  
Teen parents and their children  
Veterans  
Hospital and jail discharges  
Alcohol and drug abusers  
Survivors of domestic violence  
Persons with AIDS/ARC  
Immigrants, refugees  
Farm workers

**This section is based on research conducted by Home-Base, a regional support center for homelessness policies and programs sponsored by the Association of Bay Area Governments and Public Advocates, Inc. For more information, contact Marty Fleetwood or Rebecca Hall at (415) 431-7430.**

### ❖ Suggestion

**Communities should conduct surveys** to determine the housing and support service needs of the homeless. In preparing and completing these surveys:

- Adopt a format that allows identification of all the problems confronting a homeless person.
- Distribute the form to all providers of services and housing to the homeless within the area, for simultaneous administration.
- Collect the completed forms, aggregate the data, and estimate the number of homeless people in your community.

While this process may not identify all homeless people within a community, it will accomplish certain key goals. First, it will produce a listing of identified needs that can be compared to existing services and available housing. Second, if this process is carried out simultaneously in neighboring communities, the likelihood that people will be uncounted or double-counted is reduced, and the uniformity of the figures will allow for more meaningful comparisons.

Sample surveys and other assistance are available from HomeBase. **Contact:** Marty Fleetwood or Rebecca Hall, (415) 431-7430.

- A public or private place not designed for, or ordinarily used as, regular sleeping accommodations;
- An accommodation with friends or others that is understood by both parties as a last resort.

Whether through direct surveys (see sidebar) or by consultation with community service providers, community diagnoses should attempt to uncover **how many homeless** people there are, **which categories** the homeless fit into, and **where** members of each category live. Furthermore, communities should inventory services available to each category of homeless and their location. Communities should also determine what facilities and services are currently under construction or in development stages.

Key sources for this information include:

- Existing city and county government needs assessments, studies, and Comprehensive Homeless Assistance Plans (CHAP's).
- Community coalition reports and surveys.
- State and federal funding applications and reports required by grantees who provide services to the homeless.
- Report forms and line-item budgets from city, county and state agencies whose overall budgets fund services to the homeless.
- Information on clients of grantees as submitted to private foundations who fund homeless housing and services.

Once the information has been aggregated, it should be analyzed. Communities might find it useful to fill out tables that allow easy comparison of **which** homeless groups have access to **which** services. Mapping the data on living quarters, sleeping locations, and services will also help to gain a spatial appreciation of where the homeless now live and where new centers might be constructed.



- **Motel vouchers:** Some communities provide vouchers for rooms in privately owned and operated hotels and motels as another form of temporary, emergency shelter. Arrangements for the rooms are made through social service departments, police departments, American Red Cross, Salvation Army, Travelers Aid, and a variety of private agencies who distribute vouchers to homeless individuals in lieu of cash payment.
- **Armories:** Some communities have engaged in temporary use of their armories as large places in which beds can be provided. However, armories may not be located near service agencies, are only seasonally available, and are expensive to staff.
- **Public Spaces:** Many communities allow people to sleep in public facilities such as police stations, public hospital lobbies, and school buildings. If a community has no other capacity for bringing homeless people in from the elements, this option should be considered. In fact, these buildings may be closer than armories to the services and places where homeless people are already located.
- **Emergency shelters:** Communities often build large facilities, where shelter is provided for a limited period, sometimes up to 90 days. Some emergency shelters provide assistance programs as well as bedspace; the optimum shelter size is between twenty and forty beds. Although larger shelters are less expensive per client, experience has shown that shelters should be kept small, focused on the population served and with intake offices located near areas where the homeless congregate. These facilities alleviate the need to rely on other shelter sites.
- **Special needs shelters:** Special population facilities (e.g., battered women's shelters, chronic mentally ill and sober housing) serve a necessary purpose in neighborhoods and are a part of the housing inventory in some communities.

Homeless children often need safe spaces to play and sleep. All facilities that provide for homeless families should have space set aside for child care and respite care. Where possible, this space can be planned and provided through arrangements with mainstream day care systems.

### ◆ Suggestion

**Safeguards for the use of motel vouchers**, in communities with no other emergency bedspace options at present, should include the following:

- Agencies should either master-lease or create a sufficiently strong relationship with the hotel/motel owner to ensure that vouchers be used only in approved facilities; that they include separate bedrooms for family members as appropriate; that wherever feasible, the rooms include refrigerators and hot plates/microwaves, especially for families with children.
- Only a few rooms in any one hotel should be used, to avoid a concentration of homeless people.
- The agency distributing the voucher should establish a connection with the homeless person to do ensure ongoing care while waiting to place the person in a more stable living environment.



## Service Needs of the Homeless

*Basic Needs*, including food, clothing, household management, income and financial management, transportation, and identification or documentation.

*Special Needs*, including health, mental health, and substance abuse treatment; vocational support; and child care.

*Integrative Services*, including outreach, mobile service teams, assessment and planning, case management, advocacy, education, and residential placement and maintenance.

## How Can a Community Meet the Service Needs of its Homeless?

Communities should address service provision during their housing element revisions. The revision process provides a valuable opportunity to look to the future, thinking about and planning for the provision of essential services—employment counseling, health and addiction treatment, food, education, and others—for the homeless.

Planning for shelters and transitional housing is insufficient to resolve homelessness. Planning shelter locations will become easier—and the needs of the homeless will be met more adequately—if the service needs and opportunities for the homeless are considered. Indeed, communities may create more problems than they solve by satisfying only the bare minimum, site-based requirements of state housing element law; if facilities are sited far from existing services, for example, transportation problems will ensue. Simply providing bed space without thought to support, furthermore, will not help homeless people advance into transitional and permanent housing.

Day facilities, also known as drop-in centers, multi-service centers or day service centers, operate during the hours when emergency shelters are closed, providing a variety of needed services to the homeless. Their services may be provided by staff members or contracted out to government agencies or private organizations.

The geographic arrangement of service facilities is crucial to their successful operation. Some new facilities should be sited near other services (food, beds) that homeless people are already using. Communities should also consider planning for one or more small-scale “service hubs,” not necessarily near existing concentrations of homeless, with diverse facilities to meet homeless people’s service needs. Service hubs provide decentralized support for the homeless; furthermore, they can help prevent “ghettoization” of homeless people.

For more information on organizations in your community providing services to homeless people, contact agencies that process welfare grant applications, or groups that provide shelter and housing.

## How can a Community Meet the Housing Needs of Its Homeless?

State law requires that communities plan for both emergency and transitional housing for the homeless. State law requires communities to study the possibility of providing not only temporary, but also permanent low-income housing, in conjunction with solving its problems of homelessness. Three classes of housing, from permanent to very short term, give communities a range of policy alternatives which respond to housing needs of both the homeless and those most at risk of becoming homeless.

Providing PERMANENT LOW-INCOME HOUSING is a necessary component of any program to alleviate homelessness. An adequate affordable housing supply is essential in completing the transition off the streets, and will help prevent people from becoming homeless in the first place.

Other sections of this handbook provide suggestions on providing more, and more affordable, housing. A few examples of permanent low-income housing strategies especially relevant to serving the homeless include:

- Section 8 vouchers for units available on private market
- Single resident occupancy facilities (SRO's) as permanent housing
- Shared housing
- Group homes
- Permanent supportive housing (enriched long-term housing with services)
- Non-profit development of housing
- Sweat equity rehabilitation or new construction
- Farmworker housing
- Mobile and manufactured housing

### Different People, Different Needs

Homeless people may have a variety of needs for which housing alone may not be sufficient:

Employed individuals and heads of families may need low-income housing and opportunities for income enhancement.

Unemployed individuals and heads of families may need job training and placement services as well as housing.

Heads of families may need child care services to participate in the labor force.

Mentally ill and developmentally disabled individuals and heads of families may need mental health services to support them in their current living situation.

Substance abusers who need treatment and rehabilitation services may also need post-treatment support services.

Deinstitutionalized individuals and heads of families including parolees and mental health patients may need transition services.

Individuals and heads of families with chronic physical illnesses may need inpatient or outpatient treatment.





## Case Study

**San Francisco's Mayor's Office of Housing** has dedicated city funds to supplement or to leverage federal money obtained through the McKinney Act; the city funds may be used to tie down a site while grant applications are being processed. A local non-profit used \$1.2 million in city funds for just that purpose. The non-profit used a patchwork of funding to turn the Cambridge Hotel, a former tourist hotel, into a 60-room residential hotel. State funding from Proposition 77 will provide \$700,000 for rehabilitation. With further participation from the San Francisco Department of Social Services, the application was strong enough to win over \$3 million in Section 8 operating subsidy through the McKinney Act. The non-profit acquired the Cambridge as housing for homeless individuals needing long-term support, thus straddling the line between transitional and permanent homeless housing. **Contact:** Daryl Higashi, Chinese Community Housing Corp., (415) 981-8645.

**TRANSITIONAL HOUSING** provides units unavailable on a permanent basis, but for a stabilizing period of up to 24 months. Often transitional housing is coupled with provision of support services—for example, employment training, child care, or counseling—to help the formerly homeless make the transition to permanent and independent housing.

One common source of transitional housing is the residential or single-room occupancy hotel (SRO). SROs can help fill the current gap in transitional housing, but they may prove insufficient to meet the service needs of some residents if sited away from existing services. SROs often serve as permanent housing as well.

The McKinney Homeless Assistance Act constitutes the largest source of federal funding for transitional housing. Much McKinney funding is earmarked for special populations, but some is also available for transitional housing; McKinney funds may also be used to build long-term homeless housing. About \$37 million in McKinney funds were available in California in 1988; other federal, state, and local funds can help fund the development of housing for the homeless.

In planning for the housing needs of the homeless, transitional facilities should be adequately designed and sited in neighborhoods where services are readily available, or the necessary services should be included in new shelter development.

**EMERGENCY BED SPACE** provides an immediate short-term solution to homelessness. It does not, however, satisfy requirements for transitional housing, which must be provided by choosing among the alternatives listed above.

- **Rotating church basement space:** This has proven to be highly effective in gaining community involvement in responding to homelessness. Typically, a consortium of churches and synagogues are formed within a community, and each takes its turn to be the designated shelter provider on a monthly or bimonthly basis. The consortium as a whole provides support and volunteers to the designated shelter. These programs are very useful as the first stage of developing a community response to homelessness.



## How Can Communities Decide Where to Site Their Facilities?

Communities should seek sites for emergency and transitional housing with easy access to public agencies, transportation, and planned or existing services.

Communities have at least two alternatives when deciding where to site shelters and transitional housing. Zoning ordinances can be revised to allow housing for the homeless as of right in existing zones, or communities can create a specific zone for shelters and site facilities on a case-by-case basis.

Identifying zones in which shelters and transitional housing may be permitted allows communities and providers of housing flexibility in site selection. Requirements for conditional use permits has impeded development of shelters and transitional housing in many areas, and local governments should not rely on them as a land use control for shelters or transitional housing. Small shelters or transitional sites housing six or fewer unrelated individuals are already permitted as of right in single family zones; communities may also revise zoning ordinances to allow more individuals to share quarters in single family zones. Communities may also adopt policies permitting shelters and transitional housing as of right in existing multi-family zones. Finally, communities may allow shelters in industrial or commercial areas if sites can be adequately adapted to accommodate residential use. Communities may choose to relax some standards, especially parking requirements, to encourage rapid development of facilities.

If the local government chooses to retain control over specific site decisions, the establishment of clear criteria for approval will help reduce uncertainty and result in more rapid siting of facilities. The city may want to create overlay zones or performance standards by which site approval is given when certain criteria are met.

If the city (or county) has funding for a shelter or a current opportunity to provide a facility, the use of site-specific zoning may result in the rapid siting of an actual facility. Furthermore, this alternative does grant tighter community control over siting and building characteristics. But site-specific location will often generate time-consuming opposition from property owners and neigh-



## Case Study

**Los Angeles** adopted new zoning for homeless shelters in 1986. Defining shelters and subjecting them to California health and safety codes, the city also amended zoning codes to allow shelters of 30 beds or fewer to be established in high density residential and commercial zones. Shelters must be located at least 600 feet from any other shelter. In medium density residential and manufacturing zones, shelters (of 30 beds or fewer) must submit applications to the Zoning Administration for consideration; a special process was established at the time to expedite review. Off-street parking requirements were also relaxed. **Contact:** Paul Tepper, Shelter Partnership, Inc., (213)747-1686.



## Case Study

The City of Fremont experienced obstacles that turned into new opportunities. The city planned to add two bedrooms onto a city-owned four-bedroom house in a single family neighborhood, for use as transitional housing. Neighborhood residents opposed the project and the City abandoned it, although it meant losing \$200,000 in federal funding. Their objection was based in part on the absence of any emergency shelters in Fremont. The struggle mobilized enough public support to allow the city to designate \$600,000 in CDBG funds for construction of a shelter for 60-100 persons. **Contact:** Carol Lamont, Housing Director, (415) 745-2836.

A report on the NIMBY ("Not in My Back Yard") syndrome and how to deal with it is available from HomeBase. **Contact:** Marty Fleetwood or Rebecca Hall, (415) 431-7430. Also, see Community Participation section on page 7 of this handbook.

neighborhood residents. Furthermore, site-specific selection provides a far narrower range of housing alternatives and much less flexibility than does as-right siting policies.

The local review process can often slow development of emergency and transitional housing. A one-step proposal review by land use, planning, and public safety agencies will expedite the creation of living units for people now living on the street. Communities should designate a city or county department and allocate staff to facilitate site development, implementation of programs, services, and housing for the homeless.

## Obstacles

Communities face considerable, but not insurmountable, obstacles in providing housing and services for the homeless. Federal funds for new low-income housing have diminished over the past decade, and local funding sources are limited. Long-standing zoning practices, restrictive building codes, and demanding requirements for provision of parking spaces have all stymied construction of new housing for the homeless. Finally, neighborhood activists rarely, if ever, welcome the homeless into their immediate communities.

But cities should not give up hope. Resources are available for providing more emergency and transitional housing. Redevelopment agency setaside funds, CDBG funds, development exactions, tax incentives, and transfer fees can all be designated for the homeless. Cities can change zoning and allow use of public land or facilities to meet the needs of the homeless. Finally, by involving citizens in more stages of the planning process, communities can help speed siting of facilities and ensure a holistic approach to planning for the homeless.







# Housing Element Law

## **65580. Legislative finding and declaration**

The Legislature finds and declares as follows:

- (a) The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every California family is a priority of the highest order.
- (b) The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of Californians of all economic levels.
- (c) The provision of housing affordable to low- and moderate-income households requires the cooperation of all levels of government.
- (d) Local and state governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.
- (e) The Legislature recognizes that in carrying out this responsibility, each local government also has the responsibility to consider economic, environmental, and fiscal factors and community goals set forth in the general plan and to cooperate with other local governments and the state in addressing regional housing needs.

## **65581. Intent of legislature**

It is the intent of the Legislature in enacting this article:

- (a) To assure that counties and cities recognize their responsibilities in contributing to the attainment of the state housing goal.
- (b) To assure that counties and cities will prepare and implement housing elements which, along with federal and state programs, will move toward attainment of the state housing goal.
- (c) To recognize that each locality is best capable of determining what efforts are required by it to contribute to the attainment of the state housing goal, provided such a determination is compatible with the state housing goal and regional housing needs.
- (d) To ensure that each local government cooperates with other local governments in order to address regional housing needs.

## **65582. Definitions**

As used in this article:

- (a) "Community," "locality," "local government," or "jurisdiction", means a city, city and county, or county.

(b) "Department" means the Department of Housing and Community Development.

(c) "Housing element" or "element" means the housing element of the community's general plan, as required pursuant to this article and subdivision (c) of Section 65302.

### **65583. Contents of Housing Element**

The housing element shall consist of an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives, and scheduled programs for the preservation, improvement, and development of housing. The housing element shall identify adequate sites for housing, including rental housing, factory-built housing, and mobilehomes, and shall make adequate provision for the existing and projected needs of all economic segments of the community. The element shall contain all of the following:

(a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs. The assessment and inventory shall include the following:

(1) Analysis of population and employment trends and documentation of projections and a quantification of the locality's existing and projected housing needs for all income levels. These existing and projected needs shall include the locality's share of the regional housing need in accordance with Section 65584.

(2) Analysis and documentation of household characteristics, including level of payment compared to ability to pay, housing characteristics, including overcrowding, and housing stock condition.

(3) An inventory of land suitable for residential development, including vacant sites and sites having potential for redevelopment, and an analysis of the relationship of zoning and public facilities and services to these sites.

(4) Analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including land use controls, building codes and their enforcement, site improvements, fees and other exactions required of developers, and local processing and permit procedures.

(5) Analysis of potential and actual nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels, including the availability of financing, the price of land, and the cost of construction.

(6) Analysis of any special housing needs, such as those of the handicapped, elderly, large families, farmworkers, families with female heads of households, and families and persons in need of emergency shelter.

(7) Analysis of opportunities for energy conservation with respect to residential development.

(8) An analysis of existing assisted housing developments that are eligible to change to non-low-income housing uses during the next 10 years due to termination of subsidy contracts, mortgage prepayment, or expiration of use restrictions. "Assisted housing developments," for the purpose of this section, shall mean multifamily rental housing that receives governmental assistance under federal programs listed in subdivision (a) of Section 65863.10, state and local multifamily revenue bond programs, local redevelopment programs, the federal Community Development Block Grant



### **65583. Contents of Housing Element (continued)**

Program, or local in-lieu fees. "Assisted housing developments" shall also include multifamily rental units that were developed pursuant to a local inclusionary housing program or used to qualify for a density bonus pursuant to Sections 65913.4 and 65915.

(A) The analysis shall include a listing of each development by project name and address, the type of governmental assistance received, the earliest possible date of change from low-income use and the total number of elderly and nonelderly units that could be lost from the locality's low-income housing stock in each year during the 10-year period. For purposes of state and federally funded projects, the analysis required by this subparagraph need only contain information available on a statewide basis.

(B) The analysis shall estimate the total cost of producing new rental housing that is comparable in size and rent levels, to replace the units that could change from low-income use, and an estimated cost of preserving the assisted housing developments. This cost analysis for replacement housing may be done aggregately for each five-year period and does not have to contain a project by project cost estimate. The department may adopt rules and regulations about methods for estimating such costs.

(C) The analysis shall identify public and private nonprofit corporations known to the local government which have legal and managerial capacity to acquire and manage these housing developments.

(D) The analysis shall identify and consider the use of all federal, state, and local financing and subsidy programs which can be used to preserve, for lower income households, the assisted housing developments, identified in this paragraph, including, but not limited to, federal Community Development Block Grant Program funds, tax increment funds received by a redevelopment agency of the community, and administrative fees received by a housing authority operating within the community. In considering the use of these financing and subsidy programs, the analysis shall identify the amounts of funds under each available program which have not been legally obligated for other purposes and which could be available for use in preserving assisted housing developments.

(b) A statement of the community's goals, quantified objectives, and policies relative to the maintenance, preservation, improvement, and development of housing.

It is recognized that the total housing needs identified pursuant to subdivision (a) may exceed available resources and the community's ability to satisfy this need within the content of the general plan requirements outlined in Article 5 (commencing with Section 65300). Under these circumstances, the quantified objectives need not be identical to the identified existing housing needs, but should establish the maximum number of housing units that can be constructed, rehabilitated, and conserved over a five-year time frame.

(c) A program which sets forth a five-year schedule of actions the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the housing element through the administration of land use and development controls, provision of regulatory concessions and incentives, and the utilization of appropriate federal and state financing and subsidy programs when available. In order to make adequate provision for the housing needs of all economic segments of the community, the program shall do all of the following:

(1) Identify adequate sites which will be made available through appropriate zoning and development standards and with public services and facilities needed to facilitate and encourage the development of a variety of types of housing for all income levels, including rental housing, factory-built housing, mobilehomes, emergency shelters and transitional housing in order to meet the community's housing goals as identified in subdivision (b).

#### **65583. Contents of Housing Element (continued)**

(2) Assist in the development of adequate housing to meet the needs of low- and moderate-income households.

(3) Address and, where appropriate and legally possible, remove governmental constraints to the maintenance, improvement, and development of housing.

(4) Conserve and improve the condition of the existing affordable housing stock.

(5) Promote housing opportunities for all persons regardless of race, religion, sex, marital status, ancestry, national origin, or color.

(6) Preserve for lower income households the assisted housing developments identified pursuant to paragraph (8) of subdivision (a). The program for preservation of the assisted housing developments shall utilize, to the extent necessary, all available federal, state, and local financing and subsidy programs identified in paragraph (8) of subdivision (a), except where a community has other urgent needs for which alternative funding sources are not available. The program may include strategies that involve local regulation and technical assistance.

The program shall include an identification of the agencies and officials responsible for the implementation of the various actions and the means by which consistency will be achieved with other general plan elements and community goals. The local government shall make a diligent effort to achieve public participation of all economic segments of the community in the development of the housing element, and the program shall describe this effort.

(d) The analysis and program for preserving assisted housing developments required by the amendments to this section enacted by the Statutes of 1989 shall be adopted as an amendment to the housing element by January 1, 1991.

#### **65584. Locality's share of regional housing needs; determination and distribution; revision**

(a) For purposes of subdivision (a) of Section 65583, a locality's share of the regional housing needs includes that share of the housing need of persons at all income levels within the area significantly affected by a jurisdiction's general plan. The distribution of regional housing needs shall, based upon available data, take into consideration market demand for housing, employment opportunities, the availability of suitable sites and public facilities, commuting patterns, type and tenure of housing need, the loss of units contained in assisted housing developments, as defined in paragraph (8) of subdivision (a) of Section 65583, that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or termination of use restrictions, and the housing needs of farmworkers. The distribution shall seek to avoid further impactation of localities with relatively high proportions of lower income households. Based upon data provided by the Department of Finance, in consultation with each council of government, the Department of Housing and Community Development shall determine the regional share of the statewide housing need at least two years prior to the second revision, and all subsequent revisions as required pursuant to Section 65588. Based upon data provided by the department relative to the statewide need for housing, each council of governments shall determine the existing and projected housing need for its region. Within 30 days following notification of this determination, the department shall ensure that this determination is consistent with the statewide housing need and may revise the determination of the council of governments if necessary to obtain this consistency. Each locality's share shall be determined by the appropriate council of governments consistent with the criteria above with the advice of the department subject to the procedure established pursuant to subdivision (c) at least one year prior to the second revision, and



at five-year intervals following the second revision pursuant to Section 65588.

(b) For areas with no council of governments, the department shall determine housing market areas and define the regional housing need for localities within these areas. Where the department determines that a local government possesses the capability and resources and has agreed to accept the responsibility, with respect to its jurisdiction, for the identification and determination of housing market areas and regional housing needs, the department shall delegate this responsibility to the local governments within these areas.

(c) Within 90 days following a determination of a council of governments pursuant to subdivision (a), or the department's determination pursuant to subdivision (b), a local government may revise the determination of its share of the regional housing need in accordance with the considerations set forth in subdivision (a). The revised share shall be based upon available data and accepted planning methodology, and supported by adequate documentation. Within 60 days after the time period for the local government's revision, the council of governments or the department, as the case may be, shall accept the revision or shall indicate, based upon available data and accepted planning methodology, why the revision is inconsistent with the regional housing need. The housing element shall contain an analysis of the factors and circumstances, with all supporting data, justifying the revision. All materials and data used to justify any revision shall be made available upon request by any interested party within seven days upon payment of reasonable costs of reproduction unless the costs are waived due to economic hardship.

(d) (1) Except as provided in paragraph (2), any ordinance, policy, or standard of a city, county, or city and county which directly limits, by number, the building permits which may be issued for residential construction or which limits for a set period of time the number of buildable lots which may be developed for residential purposes, shall not be a justification for a determination or a reduction in a local government's share of the regional housing need.

(2) Paragraph (1) does not apply to any city, county, or city and county which imposes a moratorium on residential construction for a set period of time in order to preserve and protect the public health and safety. If a moratorium is in effect, the city, county, or city and county shall, prior to a revision pursuant to subdivision (c), adopt findings which specifically describe the impacted public facilities and the reasons why construction of the number of units specified as its share of the regional housing need would prevent the mitigation of that impact.

(e) Any authority to review and revise a local government's share of the regional housing need granted under this section shall not constitute authority to revise, approve, or disapprove the manner in which the local government's share of the regional housing need is implemented through its housing program.

(f) A fee may be charged interested parties for any additional costs caused by the amendments made to subdivision (c) by Chapter 1684 of the Statutes of 1984 reducing from 45 to seven days the time within which materials and data shall be made available to interested parties.

(g) Determinations made by the department, a council of governments, or a local government pursuant to this section are exempt from the provisions of the California Environmental Quality Act, which is provided for in Division 13 (commencing with Section 21000) of the Public Resources Code.



**65535. Guidelines in preparation and amendment of housing element; submission and review; advisory findings; final adoption**

(a) Each local government shall consider the guidelines adopted by the department pursuant to Section 50459 of the Health and Safety Code in the preparation and amendment of its housing element pursuant to this article. Those guidelines shall be advisory to each local government in order to assist it in the preparation of its housing element.

(b) At least 90 days prior to adoption of the housing element, or at least 45 days prior to the adoption of an amendment to this element, the planning agency of a local government shall submit a draft of the element or amendment to the department. The department shall review drafts submitted to it and report its findings to the planning agency within 90 days of receipt of the draft in the case of adoption of the housing element pursuant to this article, or within 45 days of receipt of the draft in the case of an amendment. The legislative body shall consider the department's findings prior to final adoption of the housing element or amendment unless the department's findings are not available within the above prescribed time limits. If the department's findings are not available within those prescribed time limits, the legislative body may take the department's findings into consideration at the time it considers future amendments to the housing element.

(c) Each local government shall provide the department with a copy of its adopted housing element or amendments. The department may review adopted housing elements or amendments and report its findings.

(d) Except as provided in Section 65586, any and all findings made by the department pursuant to subdivisions (b) and (c) shall be advisory to the local government.

**65586. Time within which housing elements must conform to guidelines and this article**

Local governments shall conform their housing elements to the provisions of this article on or before October 1, 1981. Jurisdictions with housing elements adopted before October 1, 1981, in conformity with the housing element guidelines adopted by the Department of Housing and Community Development on December 7, 1977, and located in Subchapter 3 (commencing with Section 6300) of Chapter 6 of Part 1 of Title 25 of the California Administrative Code, shall be deemed in compliance with this article as of its effective date. A locality with a housing element found to be adequate by the department before October 1, 1981, shall be deemed in conformity with these guidelines.

**65587. Housing element deadline; extensions; actions for review of conformity; time for compliance**

(a) Each city, county, or city and county shall bring its housing element, as required by subdivision (c) Section 65302, into conformity with the requirements of this article on or before October 1, 1981. No extension of time for such purpose may be granted pursuant to Section 65361, notwithstanding its provisions to the contrary.

(b) Any action brought by any interested party to review the conformity with the provisions of this article of any housing element or portion thereof or revision thereto shall be brought pursuant to Section 1085 of the Code of Civil Procedure; the Court's review of compliance with the provisions of this article shall extend to whether the housing element or portion thereof or revision thereto substantially complies with the requirements of this article.

(c) If a court finds that an action of a city, county, or city and county, which is required to be consistent

with its general plan, does not comply with its housing element, the city, county, or city and county shall bring its action into compliance within 60 days. However, the court shall retain jurisdiction throughout the period for compliance to enforce its decision. Upon the court's determination that the 60-day period for compliance would place an undue hardship on the city, county, or city and county, the court may extend the time period for compliance by an additional 60 days.

#### **65587.1 Revenue bond programs; local approval of housing related projects; compliance with relevant laws**

(a) The Legislature finds and declares that local policies and programs which increase housing opportunities through a tax-exempt revenue bond program or through a requirement that the approval of a housing related project be tied to the provision of assistance for housing are consistent with the intent of this article. The Legislature further finds and declares that actions which have the effect of impeding or halting such policies and programs or the direct production of housing run contrary to the goals of increased housing opportunities and balanced commercial and residential development embodied in this article.

(b) Notwithstanding any other provision of law, neither a mortgage revenue bond program subject to subdivision (b) of Section 52053.5 of the Health and Safety Code nor a local approval, made prior to May 1, 1983, of a housing related project shall be invalidated due to failure or alleged failure of a city and county to comply with this article, subdivision (c) of Section 65302 of the Government Code, or any regulations or guidelines adopted pursuant thereto, or any other provision of law requiring or claimed to require consistency with the housing element of a local general plan. For purposes of this section, a "housing related project" means (a) a residential project or (b) a nonresidential project, the local approval of which was conditioned upon the nonresidential developer (1) developing or rehabilitating or causing to be developed or rehabilitated housing units, or (2) providing funds for the development or rehabilitation of housing units, or (3) investing in a mortgage revenue bond program subject to subdivision (b) of Section 52053.5 of the Health and Safety Code, under a formula or guidelines adopted by the planning commission or local governing body of the city and county. For purposes of this section, "housing related project" shall not include a project, the construction or development of which requires either the demolition or conversion of low- or moderate-rental residential units and the local approval of which does not provide for the replacement of such units and for the maintenance in such units of rents affordable to low- and moderate-income persons for a period of not less than 20 years.

#### **65588. Review and revision**

(a) Each local government shall review its housing element as frequently as appropriate to evaluate all of the following:

(1) The appropriateness of the housing goals, objectives, and policies in contributing to the attainment of the state housing goal.

(2) The effectiveness of the housing element in attainment of the community's housing goals and objectives.

(3) The progress of the city, county, or city and county in implementation of the housing element.

(b) The housing element shall be revised as appropriate, but not less than every five years, to reflect the results of this periodic review.



In order to facilitate effective review by the department of housing elements, local governments following shall prepare and adopt the first two revisions of their housing elements no later than the dates specified in the following schedule, notwithstanding the date of adoption of the housing elements in existence on the effective date of the act which amended this section during the 1983-84 session of the Legislature.

(1) Local governments within the regional jurisdiction of the Southern California Association of Governments: July 1, 1984, for the first revision and July 1, 1989, for the second revision.

(2) Local governments within the regional jurisdiction of the Association of Bay Area Governments: January 1, 1985, for the first revision and July 1, 1990, for the second revision.

(3) Local governments within the regional jurisdiction of the San Diego Association of Governments, the Council of Fresno County Governments, the Kern County Council of Governments, the Sacramento Council of Governments, and the Association of Monterey Bay Area Governments: July 1, 1985, for the first revision, and July 1, 1991, for the second revision.

(4) All other local governments: January 1, 1986, for the first revision, and July 1, 1992, for the second revision.

(5) Subsequent revisions shall be completed not less often than at five- year intervals following the second revision.

(c) The review and revision of housing elements required by this section shall take into account any low- or moderate-income housing which has been provided or required pursuant to Section 65590.

(d) The review pursuant to subdivision (c) shall include, but need not be limited to, the following:

(1) The number of new housing units approved for construction within the coastal zone after January 1, 1982.

(2) The number of housing units for persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code, required to be provided in new housing developments either within the coastal zone or within three miles of the coastal zone pursuant to Section 65590

(3) The number of existing residential dwelling units occupied by persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code, that have been authorized to be demolished or converted since January 1, 1982, in the coastal zone.

(4) The number of residential dwelling units for persons and families of low or moderate income as defined in Section 50093 of the Health and Safety Code, that have been required for replacement or authorized to be converted or demolished as identified in paragraph (3). The location of the replacement units, either onsite, elsewhere within the locality's jurisdiction within the coastal zone, or within three miles of the coastal zone within the locality's jurisdiction, shall be designated in the review.

#### **65589. Construction of article**

(a) Nothing in this article shall require a city, county, or city and county to do any of the following:

(1) Expend local revenues for the construction of housing, housing subsidies, or land acquisition.

(2) Disapprove any residential development which is consistent with the general plan.



(b) Nothing in this article shall be construed to be a grant of authority or a repeal of any authority which may exist of a local government to impose rent controls or restrictions on the sale of real property.

(c) Nothing in this article shall be construed to be a grant of authority or a repeal of any authority which may exist of a local government with respect to measures that may be undertaken or required by a local government to be undertaken to implement the housing element of the local general plan

(d) The provisions of this article shall be construed consistent with, and in promotion of, the statewide goal of a sufficient supply of decent housing to meet the needs of all Californians.

**65589.5. Proposal of local agency to disapprove project or approve project on condition of lower density; written findings; existence of conditions**

When a proposed housing development project complies with the applicable general plan, zoning, and development policies in effect at the time that the housing development project's application is determined to be complete, but the local agency proposes to disapprove the project or to approve it upon the condition that the project be developed at a lower density, the local agency shall base its decision regarding the proposed housing development project upon written findings supported by substantial evidence on the record that both of the following conditions exist:

(a) The housing development project would have a specific, adverse impact upon the public health or safety unless the project is disapproved or approved upon the condition that the project be developed at a lower density.

(b) There is no feasible method to satisfactorily mitigate or avoid the adverse impact identified pursuant to subdivision (a), other than the disapproval of the housing development project or the approval of the project upon the condition that it be developed at a lower density.

**65589.6. Burden of proof; conformance to conditions in 65589.5**

In any action taken to challenge the validity of a decision by a city, county, or city and county to disapprove a project or approve a project upon the condition that it be developed at a lower density pursuant to Section 65589.5, the city, county, or city and county shall bear the burden of proof that its decision has conformed to all of the conditions specified in Section 65589.5.

**65589.8. Fixed percentage of affordable housing units; satisfaction of requirement by construction of rental housing at affordable monthly rents**

A local government which adopts a requirement in its housing element that a housing development contain a fixed percentage of affordable housing units, shall permit a developer to satisfy all or a portion of that requirement by constructing rental housing at affordable monthly rents, as determined by the local government.

Nothing in this section shall be construed to expand or contract the authority of a local government to adopt an ordinance, charter amendment, or policy requiring that any housing development contain a fixed percentage of affordable housing units.



# HOUSING ELEMENT REVIEW WORKSHEET

Locality \_\_\_\_\_ Draft \_\_\_\_\_ Adopted \_\_\_\_\_ HCD Receipt Date \_\_\_\_\_  
 Contact Person \_\_\_\_\_ Phone# \_\_\_\_\_ Coastal Zone \_\_\_\_\_

Section numbers refer to the Government Code Article 10.6. Please provide the information referred to and the element page number(s) where the information is located. Additional information regarding each statutory requirement can be found in the HCD Housing Element Questions and Answers Paper on the page numbers following each requirement.

## I. Housing Needs (65583(a)) (QA-6)

	Owner	Renter	Total	Page #
A. Number of existing households and housing units (QA-7)				
1. Households	_____	_____	_____	_____
2. Housing units			_____	_____
B. Lower income households overpaying (QA-6) for housing				
1. Total number	_____	_____	_____	_____
2. % lower income			_____	
C. List pages where special housing needs groups are analyzed and provide the estimated number of households: (QA-13)				
1. Handicapped			_____	_____
2. Elderly	_____	_____	_____	_____
3. Large households	_____	_____	_____	_____
4. Farmworkers			_____	_____
5. Families with female head			_____	_____
6. Homeless			_____	_____
7. Other _____	_____	_____	_____	_____
D. Number of overcrowded households (QA-7)	_____	_____	_____	_____
E. Number of housing units needing rehabilitation (QA-7)			_____	_____
F. Number of housing units needing replacement (QA-7)			_____	_____
G. Five-year projected new construction needs, including the locality's share of the regional housing needs as determined by COG or HCD; specify the time frame of the projections _____ and enter the construction need figures in the table below. (QA-4)				_____

Income Category	Five-Year New Construction Needs
Very low (0-50% of median income)	_____
Other Lower (50%-80%)	_____
Moderate (80-120%)	_____
Above Moderate (over 120%)	_____
Total Units	_____

- H. If the regional housing needs provided by the Council of Governments or HCD has been revised, has the COG or HCD accepted the revision? (65584 (c)) \_\_\_\_\_  
 List page(s) where the revision is justified. (QA-4) \_\_\_\_\_
- I. Unless the employment and population trends are included in the regional housing needs figures provided by the COG or HCD, list the page(s) where these factors are analyzed. \_\_\_\_\_



## II. Land Inventory (Sections 65583, 65583(a)) (QA-8)

Summarize in the table below the information on sites suitable for residential development within the five year planning period of the element. List page(s) where this topic is discussed, including the discussion of availability of services and facilities for the sites identified in the land inventory.

Zoning/permitted housing type	Number of acres	Density range (units/acre)	Availability of services & facilities (e.g. infrastructure)	Dwelling unit capacity
Single family				
Multiple-family and rental				
Mobilehomes, mfd. housing, mobilehome parks				
Emergency shelter or transitional housing				
Sites with residential redevelopment potential (within time frame of element)				
Currently non-residential				
Other				
TOTAL				

### III. Constraints on Housing (65583(a)(4) and (5))

List pages where the housing constraints listed below are discussed:

Page #

#### A. Governmental Constraints (QA-10)

1. Land use controls (e.g. zoning, growth controls, open space requirements) \_\_\_\_\_
2. Codes and enforcement (e.g. any local amendments to UBC, degree or type of enforcement) \_\_\_\_\_
3. On/off-site improvements (e.g. curbing requirements, street widths, circulation improv) \_\_\_\_\_
4. Fees and exactions (permit fees & land dedication or other requirements imposed on developers) \_\_\_\_\_
5. Processing and permit procedures (e.g. processing times, approval procedures) \_\_\_\_\_
6. Other governmental constraints \_\_\_\_\_

#### B. Nongovernmental Constraints (QA-12)

1. Availability of financing \_\_\_\_\_
2. Price of land \_\_\_\_\_
3. Cost of construction \_\_\_\_\_
4. Other nongovernmental constraints \_\_\_\_\_

### V. Quantified Objectives (Section 65583(b))

List quantified objectives for the maximum number of housing units over the five year time frame of the element to be: (QA-16)

- A. Constructed \_\_\_\_\_
- B. Rehabilitated \_\_\_\_\_
- C. Conserved \_\_\_\_\_

### Other Topics

List pages where the following topics are discussed:

- A. Efforts to achieve public participation of all economic segments of the community in the development of the element (Section 65583(c)) (QA-33) \_\_\_\_\_
- B. Analysis of opportunities for energy conservation in residential development (Section 65583(a)(7)) (QA-15) \_\_\_\_\_
- C. Description of means by which consistency will be achieved with other general plan elements (Section 65583(c)) (QA-34) \_\_\_\_\_
- D. Evaluation and revision of the previous element according to the criteria of Section 65588(a) and (b): (QA-1)
  1. "Effectiveness of the element" (Section 65588(a)(2)): A review of the actual result of the earlier element's goals, objectives, policies, and programs. The results should be quantified where possible (e.g., rehabilitation results), but may be qualitative where necessary (e.g., mitigation of governmental constraints). \_\_\_\_\_
  2. "Progress in implementation" (Section 65588 (a)(3)): An analysis of the significant differences between what was projected or planned in the earlier element and what was achieved. \_\_\_\_\_
  3. "Appropriateness of goals, objectives, and policies" (Section 65588 (a)(1)): A description of how the goals, objectives, policies, and programs of the updated element incorporate what has been learned from the results of the prior element. \_\_\_\_\_
- E. For Coastal Zone localities, list the pages where the required information regarding construction, demolitions and conversions within the coastal zone is provided (Section 65588(c) and (d)). (QA-35) \_\_\_\_\_

VI. Housing Programs (65583(c)). Summarize programs in the element. (QA-18)

Program Purpose	Program action(s)	Agency responsible	Time frame	Page #
<p><i>Provide adequate sites</i> (65583 (c)(1))</p> <ol style="list-style-type: none"> <li>1. Insure total dwelling capacity equal to new construction need (QA-22)</li> </ol>				
<ol style="list-style-type: none"> <li>2. Provide sites suitable for a variety of types of housing for all income levels, including rental housing and manufactured housing (QA-22)</li> </ol>				
<p><i>Assist in the development of adequate housing to meet the needs of low and moderate income households</i> (65583(c)(2))</p> <ol style="list-style-type: none"> <li>1. Utilize federal and state financing and subsidies</li> <li>2. Provide regulatory concessions and incentives (QA-26)</li> </ol>				
<p><i>Address and, where appropriate and legally possible, remove governmental constraints</i> (65583(c)(3))</p> <ol style="list-style-type: none"> <li>1. Land use controls</li> <li>2. Building codes</li> <li>3. Site improvements</li> <li>4. Fees and exactions</li> <li>5. Processing and permit procedures (QA-28)</li> </ol>				
<p><i>Conserve and improve the condition of the existing affordable housing stock</i> (65583 (c) (4)) (QA-30)</p>				
<p><i>Program to promote equal housing opportunity</i> (65583 (c) (5)) (QA-32)</p>				
Other housing programs				



# Data for the Housing Element

## Getting The Information

Communities are now developing housing programs to ease the affordability crisis. Additional local information is necessary for accurate development of programs to address each community's local need. Following is a discussion of the housing and land use data most frequently used by Bay Area planners in preparing housing elements and developing programs. The nature of the data, data sources, and its strengths and limitations are included in the discussion.

## Developable Land

The amount of developable land available in each community is essential to plan for all housing programs. Many jurisdictions have already completed extensive land inventories; these local inventories will usually be the most meaningful and accurate. The revision of the housing element provides cities and counties with the opportunity to update land availability data.

In the absence of current local land inventories, however, there are estimates by the Association of Bay Area Governments (ABAG) of the amount of land available for development between 1980 and 2005 under existing regulatory constraints. The estimates, reviewed by each community for accuracy, were released in 1986 in the *Local Development Policy Survey*. They were based on an extensive survey, and although somewhat dated still provide a good source of information on developable land.

## Addresses

**Association of Bay Area  
Governments (ABAG)**  
P.O. Box 2050  
Oakland, CA 94604  
(415) 464-7900

### Addresses

**MTC/ABAG Library**  
**Joseph P. Borts MetroCenter**  
**101 8th Street**  
**Oakland, CA 94612**  
**(415) 464-7836**

**Demographic Research Unit**  
**California Department of**  
**Finance**  
**915 L Street**  
**Sacramento, CA 95814-3701**  
**(916) 322-4651**

## Population and Housing Unit Characteristics

Thorough analysis of a community's population and its housing needs is essential to design suitable housing programs. Comparing the current number of households to the number of available units provides a basis for assessing current housing need. Detailed analysis by income group, household composition, tenure status, race, or special type of housing (including farmworkers, female heads of household, students, disabled, and homeless individuals) can also help refine housing programs to target specific housing needs.

The basic source of population data is the US Census. Every ten years the Census releases precise population counts for all Bay Area cities and counties taken in April of the census year. Complete 1980 Census data is available in the MTC/ABAG library in Oakland. Due to the comprehensive nature of the next census the compiled information will not be released until April 1991 to 1993. The census' primary problem is thus that it is already out of date by the time it is released and becomes more so as the decade progresses. This problem becomes even more troublesome in the Bay Area, with its rapid demographic change. Local data sources can help overcome this obstacle, however.

The Demographic Research Unit of the California Department of Finance (DOF) prepares annual population estimates for each Bay Area city as well as the number and type of household units (the number of households in single-family units, in structures with 2 to 4 total units, in structures with over 5 units, and those in mobile homes). These estimates as of January 1 of each year are released on May 1 of that year in a DOF publication, *Population Estimates of California Cities and Counties*.

In its Projections series, ABAG presents population data as well as other data important to Bay Area planners. Data from the 1980 census is provided along with estimates at five year intervals to 2005 for each city and county in the Bay Area. The most recent ABAG Projections publication is *Projections '90*, released in November, 1989.

ABAG projects the population within cities—including the city sphere of influence—as well as the number of households, persons per household, and employed residents, jobs, and mean household income.



The ABAG projections also contain discussions of the jobs-housing balance and constraints on growth. It may be obtained in hard copy or in microcomputer readable format from ABAG at the address listed on this appendix's first page.

## **Employment and Employed Residents**

Employment data are particularly important in analyzing the local jobs/housing balance. Data on the number and characteristics of jobs in 1980 with forecasts in five year intervals through 2005 are contained in *ABAGs Projections '90*. Detailed breakdowns of the type of jobs in each city and the number of employed residents are also included in the Projections.

The California Employment Development Department makes county- and regional-level estimates and projections of employment by industry and occupation for all Bay Area counties.

Employer surveys often provide good sources of data on employment, and some Chambers of Commerce perform their own studies on major industries or businesses and their employment.

## **Income**

When gathering data on income, planners must be aware of the differences between median and average income. Half of all observed incomes are above the median, and half are below; average or mean income is the sum of all area incomes divided by the number of observations. A few extremely high or low income observations will skew the mean up or down, respectively; hence it is easier to obtain a good picture of overall community income by using the median figure.

A second valuable distinction is that between households and families. Measurements of household income will give a value for single people and all individuals sharing living quarters; family income is a measurement only of related individuals sharing living quarters.

ABAG has updated median income data from the 1980 census for cities and the sphere of influence as of 1988.

## **Addresses**

State of California  
Employment Development  
Department  
Employment Data and  
Research Division  
Coastal Area Labor Market  
Information Group  
P.O. Box 7774  
San Francisco, CA 94120  
(415) 557-3052



### **Example: Converting between CPI base years**

The October 1989 CPI for rent in the Bay Area is not provided in 1967 index terms. On the 1982-84 index, the CPI is 146.6. To convert the figure to 1967 terms (to allow comparisons with 1980), use the rent conversion factor (0.3523263):

$146.6 \div 0.3523263 = 416.1$  on the 1967 index.

To convert from 1967 to 1982-1984:

$416.1 \times 0.3523263 = 146.8$  on the 1982-1984 index.

### **Addresses**

California Association of Realtors  
525 South Virgil Ave.  
Los Angeles, CA 90020  
(213)739-8304

Construction Industry Research Board  
2509 Empire Ave.  
Burbank, CA 91504  
(800)252-8109

### **Consumer Price Index (CPI)**

The Consumer Price Index is a survey of costs for a fixed "market basket" of goods and services. The set of goods and services (all items) are divided into subsets. One, the Housing item, includes Shelter, Fuel and other utilities, Household Furnishings, and Operations. Shelter is further divided into Residential Rent and Owner's Costs. Homeowners' costs in the CPI are calculated to reduce the distortion of rapidly rising sale prices by basing costs on rental equivalents, to remove the investment in the home as an asset from the costs as a consumer item.

CPI data does not provide a dollar figure of housing and other living costs. Rather, it is an index which measures the changes in cost over time. The annual change in the rental and overall CPI is of interest to many housing planners. The measure is used in some cities to determine annual rent control adjustments and may be used to assess changes in structure costs (home prices) or rents compared to all prices and to incomes.

The CPI is now operating with two different base years, 1967 and 1982-1984. Sometimes it may be necessary to convert CPI figures between the two years. Using a conversion factor makes converting between base years fairly simple. The conversion factor for all items between the two years is 0.3252797; for rent, the figure is 0.3523263.

### **Home Prices**

The California Association of Realtors monitors housing data by region for all of California, including the Bay Area. CAR also publishes an affordability report showing the household income necessary to buy under market conditions, using the prevailing mortgage rate for a 30-year fixed rate mortgage. However, county- and city-level data are not available from CAR.

For new home prices, the Construction Industry Research Board (CIRB) gathers current information by county. CIRB reports also include sizes, price changes over time, and numbers of bedrooms, and type of ownership (single family, condominiums, and planned unit development). This data is available on the county level.

TRW Real Estate Information comprehensively

gathers data on home prices in eight of the nine Bay Area counties. (Napa is not included.) TRW gathers data on all home sale transactions, including attached homes and condominiums, from county assessors' offices. This survey avoids many typical biases from the failure to include all transactions, but the use of an average (mean) rather than a median tends to bias the figures upwards. TRW began gathering data in this form in June 1987, and makes it available monthly.

The most accurate way to track appreciation is to periodically assess the value of a constant set of representative properties. The Real Estate Research Council of Northern California and Coldwell Banker Residential Real Estate Services estimates the increase in appreciation by analyzing the same houses.

Every six months the Real Estate Research Council releases home price data based on actual appraisals of 250 detached, single-family homes in Northern California. The data are presented in the Northern California Real Estate Research Report, for which there is a charge.

Specialized local data can also be collected from local real estate boards or residential lenders.

### **Rents, Current and Advertised**

A key issue in housing elements is addressing the needs of lower income households, most of whom are renters. Determining the availability of rental housing and the relationship between rents and renter income are central to developing effective housing programs. Rent information is generally reported as contract rent—the amount the renter contracts to pay each month for the unit exclusive of utilities.

There are two types of rent: current rents and market rents. Both are useful. Current rent data are necessary to track the filtering process and to see whether rents are rising or declining in relation to income. Market rents reflect what is available to people currently looking for housing. Information on current rents is more difficult to gather, as this data depends on surveys of owners/managers and/or tenants of apartment buildings. Information on market rents is readily available through newspaper advertisements. Market

### **Addresses**

**TRW Real Estate Information**  
(800) 247-8019

**Northern California Real Estate Report**  
**Real Estate Research Council**  
**of Northern California**  
57 Post Street, Room 711  
San Francisco, CA 94104  
(415) 398-2287



### Addresses

**Income Property Reports**  
101 First Street #404  
Los Altos, CA 94022  
(415) 941-1500

### Example: Estimating Current Rents with the CPI

If rent in April 1980 (when the Census was performed) cost \$150/month, how much would that apartment cost by October 1989?

April 1980 CPI, Bay Area,  
Rent=207.4 on 1967 index  
September 1989 CPI, Bay Area,  
Rent=416.1 on 1967 index  
(from previous example)

$$150/207.4 = x/416.1$$
$$x = 300.93$$

Thus the estimated rent for the apartment that cost \$150 in April 1980 would be about \$301 in October 1989.

rent data, however, is complicated in the Bay Area by the large number of units which pass from tenant to tenant by word of mouth without being advertised in newspapers or other market sources.

Many landlords encourage current tenants to stay by charging them less than they would charge a new tenant to avoid the costs, effort and uncertainties involved in finding a new tenant. In several Bay Area cities rent controls hold down the rents of current tenants. Therefore market rents are higher, in general, than current rents in the Bay Area.

Data on advertised rents may be obtained from the Bay Area Council and the Income Property Reports. The Bay Area Council conducts a quarterly rent survey to determine county median and low-end advertised rents for an unfurnished two-bedroom apartment. (All Bay Area counties are surveyed, except the lower cost areas of Sonoma, Napa and Solano counties, southern Santa Clara County and the east and west sides of Contra Costa County.)

While the Bay Area Council quarterly advertised rent information may be useful in establishing average rents in broad market areas or establishing a trend, it does not disaggregate the data to the city level. A for-profit data service, Income Property Reports, provides city-level advertised rent data to paid subscribers. Some of this data is available from ABAG. This information is subject to the problem noted above of re-renting without advertising. Because mean rents are provided rather than median rents, Income Property data will be skewed upward.

The most accurate current rent information is collected from apartment managers and tenants. Vacaville and Pleasanton conduct annual telephone surveys of apartment managers and owners to determine current rents. Berkeley has current data on all rent controlled units.

A rough estimate of current rents can be developed by taking the 1980 census data on rents and adjusting it using the Consumer Price Index (see example).



## Vacancy Rates

Vacancy rates, generally computed separately for rental and single-family units, reflect the percentage of the housing stock vacant at a given point in time. The vacancy rate also acts as an indicator of market conditions. A five percent rental vacancy rate is considered necessary to permit ordinary rental mobility. A housing market with a rental vacancy rate under five percent is generally considered to be a tight market, implying that tenants will have difficulty locating appropriate units and the market pressure will push rents up. A two percent vacancy rate is considered normal for owned housing, where mobility is lower.

The Federal Home Loan Bank of San Francisco (FHLB) tabulates vacancy data by county, city and zip code area, broken down by single-family detached, single-family attached, multi-family units and mobile-homes as well as total units. The FHLB uses the postal service to canvass all non-rural delivery routes for the total number of housing units, units that have received deliveries in the past that are now vacant, new units not yet occupied and units under construction. The most recent survey was performed in the fall of 1988.

## Building Permits

Annual construction activity can help analyze the effectiveness of past housing programs. Information on residential construction activity by year is generally reported in terms of building permits issued, units completed, or both. The data may be broken down between single-family and multi-family units or as detailed as to the type of units built. Some Bay Area cities provide precise annual data on construction activity in different parts of the city; examples include the San Francisco Planning Department's *Changes in the Housing Inventory* and Pleasanton's annual *Growth Management Report*.

## Addresses

Federal Home Loan Bank of  
San Francisco  
Public Information  
Department  
P.O. Box 7948  
San Francisco, CA 94120  
(415) 393-1000



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